



SCA Marks 40th Anniversary of UAE National Day

Agreement Signed to Implement XBRL in UAE



هيئة الأوراق المالية والسلع
SECURITIES & COMMODITIES AUTHORITY



SCA Has Issued 36 Regulations So Far

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Decision No	Year	Category
11	2009	CO...
12	2009	CO...
13	2009	CO...
14	2009	CO...
15	2009	CO...
16	2009	CO...
17	2009	CO...
18	2009	CO...
19	2009	CO...
20	2009	CO...

Law No	Year	Category
4	2000	CO...

Article (1)
The following fees shall be charged:
1. Application fee for the Authority: 1000 dirhams
2. Fee for registration with the Authority: 5000 dirhams
3. Fee for consent of registration: 1000 dirhams

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Editor's note

The celebration of the 40th anniversary of the UAE national day was very special, not just because the occasion is so dear to the heart of every UAE national and expatriate for bringing the sweet memories of the successful formation on December 2, 1971 of the Supreme Council, headed by the late Sheikh Zayed bin Sultan Al-Nahyan, which led to the founding of the UAE, to become the first and only successful union in the region and the ideal example of development and progress, but also because the union marked the successful launch of a great vision, which laid a solid foundation for the birth of a modern state, to begin a journey towards a future that would later place it at an enviable position among the civilized nations.

The UAE, over the past years of the union, has succeeded in diversifying its national economic resources and in boosting its economy through the promulgation of good legislations to maintain stability, develop the financial sector and boost the financial market infrastructure. This has placed the country at an advanced position in the development of its services and regulations. Thanks to the unstinting support of the UAE President, H.H. Sheikh Khalifa bin Zayed Al-Nahyan and the UAE Vice President and Prime Minister and Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al-Maktoum, the financial sector continues to move confidently towards more development and progress. Having emerged from the tough challenges, the securities sector will see in the years ahead vibrant activities that will spur development, strengthen the financial markets and boost investment environment.

The SCA and the UAE securities markets remain committed to high sense of responsibility in the nation's economic development drive, having succeeded in making a giant stride in the development of its legislation infrastructure with many regulations and decrees. It also continues to strive to develop its human resources for maximum contribution to the UAE's comprehensive development.

The 2nd December anniversary will continue to remain a source of great inspiration for greater work, efforts and creativity, which must be based on a strategy that embraces the present with all its technologies and prepares for the future with all its challenges, while marching forward for more achievements in all areas of life for our dear nation.

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Professional magazine issued by the Securities and Commodities Authority

Editing/Layout

SCA Media Section

Articles published in this magazine express the view of their owners and do not necessarily express the view of the magazine or the SCA. Neither the magazine's management nor the SCA bears any responsibilities for the articles.



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SCA Board Discusses Latest Developments on Local Markets

Reviews preliminary studies on setting up bond market

The board of the Securities and Commodities Authority (SCA) has held in Abu Dhabi a meeting, presided over by its chairman, H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy, during which the board discussed a number of issues on its agenda, including a proposal for setting up a bond market in the UAE. The meeting, which was the 9th to be held by the new board (the 4th in the history of the SCA) underscored the need to conduct thorough studies on the issue in view of the significance of the bond market. It also underlined the need to identify all the various impacts of such a project on the country's financial sector.

Present at the meeting were all board members, including H.E. Mohammed bin Ali bin Zayed Al-Falasi, Deputy Board Chairman, H.E. Abdullah Salim Al-Turifi, SCA Chief Executive Officer, H.E. Mubarak Rashid Al-Mansoori, H.E. Mohammed Ali Ahmed Al-Dhahiri, H.E. Abdullah bin Ali Al-Hamli and H.E. Butti bin Khalifa Al-Falasi, as well as H.E. Maryam Al-Suwaidi, SCA's Deputy CEO for Licensing, Supervision and Enforcement, who is the

board's coordinator and Abdul Lateef Al-Shamsi, Director of Department of Legal Affairs.

The board discussed a number of issues related to the securities industry, including preliminary studies for setting up a bond market and a report on the last meeting of the SCA Advisory Board. It reviewed a report on the achievements of SCA Training Center and another on the SCA's achievements and the SCA's plan of action for 2012.

Bond Market

As part of its supervisory and regulatory role and in pursuant of its task of regulating and developing the country's financial markets, the board discussed a white paper on the setting up of a bond market in the country, the availability of the components of this market, its positive and negative sides and the requirements for its development.

The proposal said having a very vibrant bond market will help provide source of funding for various government and commercial institutions, just as it will also diversify the source of finance which is

currently limited to the banking sector.

The preliminary studies outlines a number of positive aspects of a bond market, including providing appropriate investment opportunities for all kinds of investors on the market, expanding the areas of lending to access the necessary funds, providing a very important tool for the business community to use whenever they are in need of funds, providing important tool for banks to be able to control the levels of liquidity flow, boosting direct foreign investment flow to the UAE, helping portfolio and mutual fund managers to set up diversified investment portfolios, etc.

SCA Advisory Board Report

The board reviewed the report of the latest meeting of the SCA Advisory Board during which the latter deliberated on the latest developments on the local and international financial markets, the mechanisms and ways to boost confidence in the markets, debt instruments market, mutual funds industry, as well as the updating, developing, executing and enforcing the country's regulatory model.



As part of the confidence boosting measures, the board discussed a proposal on the re-classification of brokerage companies, ensuring the strict adherence to the rule of segregation of the accounts of clients from the company's account, organizing short-selling, being an important tool for providing liquidity. The board reiterated the role of the SCA which focuses on ensuring enough guarantee to cover credit risks.

The SCA Advisory Board's report also outlined some aspects of the market-maker, which it described as necessary in strengthening financial market infrastructure. It said although it is one of the value addition solutions to uplift the level of the financial markets, the major role of the SCA in this mechanism must focus on ensuring the efficiency of the regulatory environment.

The report also highlights some points on the mutual fund industry, calling for the streamlining of the mutual fund industry and for the need to study some success stories in that area.

SCA Training Center Report

The Board also reviewed a report from the SCA Training Center. The report highlights the center's achievements, the specialized courses it executed in 2011, including Financial Statement Analysis (Advanced Level), Professional Ethics for Financial Inspectors, Modern Mechanisms for Evaluation of Companies, Mechanisms for Merger and Acquisition in Public Joint Stock Companies, Margin Trading, CIA Certificate, CFA Certificate, Latest Developments in International Financial Disclosure Criteria, Latest Developments in Corporate Governance, Mutual Funds and Adherence Rules. The report outlines statistics related to record of those who passed the professional license exams. The record shows that the skills of 73 job title holders have been sharpened since the beginning of the exams to November 30, 2011. The board also reviewed another report on SCA's achievements in 2011. The report outlines a number of achievements at the supervision, legislation, organization and institution levels at a rate that far exceeds expectations and the target outlined in the SCA's Operation Plan of 2011 and the 2011-2013 Strategic Plan.

SCA Signs MoU with UAE University to Develop Human Resources and Promote Joint Research

The Securities and Commodities Authority (SCA) has signed a memorandum of understanding (MoU) with the UAE University to boost avenues of joint action between the two organizations and to benefit from each other's expertise and capacity in their various areas of specialization.

H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, signed the MoU for his outfit, while H.E. Dr. Abdullah Sa'ad Al-Khanbashi, Director of the UAE University, signed for his side.

The MoU calls for cooperation between the two sides in the areas of professional advice, institutional development, in general and human and administrative development, in particular. It also promotes joint cooperation in organizing conferences, workshops and seminars, training programs on latest developments and best practices in areas of mutual interest. The MoU also calls for providing facilities for joint projects and cooperation that support the policies and objectives of the two parties.

In a post signing comment, Al-Turifi underscored the SCA's commitment to boosting the existing relations of strategic partnership with the UAE University – being the mother university and the leading academic and educational institution in the country – He said this is being done within a very effective framework and according to an institutional system.

Also commenting on the occasion, Dr. Al-Khanbashi underlined the directives of H.E. Sheikh Nahyan bin Mubarak Al-Nahyan, Minister of Higher Education and Scientific Research and Chancellor of the UAE University for achievement of excellence and for high quality in the social services being offered by the university through its various institutions.

Human Resources Development

Al-Turifi said the MoU seeks to boost bilateral relations between the two sides in serving the various segments of the society. This, he added, is being done in

accordance with the directives of H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and SCA Board Chairman, adding that the MoU will also help develop the SCA's human resources through a number of training programs and professional advice, just as it will also provide greater opportunity for training of UAE University students interested in working in the securities industry in the future, while offering similar opportunity for researchers from the University to benefit from the SCA's Resource Center.

Dr. Al-Khanbashi pointed out that the joint cooperation framework is based on the two sides' common vision in expanding avenues of cooperation through this agreement which will enable the two sides benefit from one another's capabilities in their areas of specialization.

The UAE University Director applauded the SCA's role and efforts in building the capacity of students to enable them acquire more experience and develop their skills before ushering into the job market. Based on the agreement, the UAE University will make a number of initiatives to augment the SCA's efforts towards greater excellence in its administrative, financial and leadership practices and in expanding its influence on the society.

Researches and Studies

The SCA, on the other hand, will provide training opportunities related to SCA activities and operations to the UAE University students, in the form of summer internships. It will also facilitate scientific research and field studies for members of the university's teaching staff and students in areas related to SCA activities. The agreement also states that the university will nominate its students interested in joining SCA's SHARE (Supporting Human Assets for Real Emiratization) program or working for the latter. The nominated candidates for the SHARE program shall have to successfully pass all the qualifying exams and to meet other SCA rules and regulations.





Al-Mansoori, South African Ministers Discuss Ways to Boost Economic Ties Between UAE and South Africa

H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and Board Chairman of the Securities and Commodities Authority (SCA), has received D.R Davies, South African Minister of Trade and Industry and E. Pattel, South African Minister of Economic Development.

During the meeting which was held in the presence of a number of officials from both sides, they discussed a number of issues of mutual interest, including ways to boost economic cooperation between the UAE and South Africa, investment and other issues. They also discussed ways to boost cooperation between the two countries to cover more areas, including joint projects and to encourage businessmen from both sides to seize opportunities in each of the two countries.

Commenting at the end of the meeting, the UAE Minister said they discussed ways to boost investment and trade in industrial projects in the two countries, particularly in the areas of manufacturing of vehicles, spare parts, food, and infrastructure and clean energy projects, as well as sharing of information and expertise in those areas.

He said his ministry is looking forward to cooperation with the South African side in advanced technology transfer, adding that the UAE regards South Africa as an important economic partner, as part of the country's strategic plan of diversifying its economic partners in the years ahead. He cited the agreement signed by the two countries in 2005 to boost relations in the

areas of economy, trade and technology.

He pointed out that the volume of trade exchange between the two countries was about USD1.1 billion last year. He said this figure is highly expected to rise significantly this year, adding that there are many South African firms investing in the UAE, just as many UAE companies have invested in big projects in South Africa, while the two countries are linked by very active and vibrant air traffic activities.

The two sides agreed to set up a follow-up committee with the aim of boosting further export and investment, holding business forums for business persons from the two countries and roundtable meetings to sort out and solve problems obstructing smoother economic transactions between the two countries.

They agreed to provide facilities to attract more investment between them in the area of securities markets, particularly in the field of mutual funds and joint listing of public joint stock companies on the markets of the two countries. They also agreed to activate the memorandum of understanding signed by the SCA and its South African counterpart. The South African ministers, who praised the economic and trade ties between the two countries, said their country regards the UAE as a main door for South African export to the Middle East region, just as South Africa serves as an important door for UAE to the countries in the Southern Africa region. They urged South African businessmen to enter into joint ventures

with their counterparts in UAE and invited UAE businessmen to visit South Africa to have firsthand information about investment opportunities in various economic sectors in that country.

UAE, which is South Africa's major trade partner in the region, is also the 6th major oil exporter to South Africa. UAE exports to South Africa include petroleum products, precious metals, gold jewelries and re-export commodities, while South African exports to the UAE include excavators, floating cranes, steel pipe, steel and other items.

It's worth noting here that the meetings held by officials of the two countries were part of the activities marking the visit to the UAE by the South African President, Jacob Zuma. The visit, which started last Sunday, was a major step in the bilateral ties of the two countries and reflects the aspirations of the two countries and their commitment to build strategic partnership in various areas.

The UAE delegation at the meeting include H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, Humaid Butti, Economy Ministry Assistant Undersecretary for Trade Affairs, Mohammed Shalwah, the Ministry's Assistant Undersecretary for Economic Policies Affairs, Ibrahim Al-Za'abi, SCA's Deputy CEO for Legal Affairs, Issuance and Research, Maryam Al-Suwaidi, SCA Deputy CEO for Licensing Affairs, Supervision and Enforcement and Mohammed Khalifa Al-Hadari, SCA's Deputy CEO for Organizational Services and Support.

SCA Participates in 5th Meeting of Committee of Heads of GCC Securities Market Regulators in Riyadh

Meeting is part of SCA's initiative for achieving integration of GCC markets

The 5th meeting of committee of heads of securities market regulators from member states of the Gulf Cooperation Council (GCC) was held at the GCC Secretariat in the Saudi Arabian capital, Riyadh.

H.E. Abdullah Al-Turifi, CEO of the Securities and Commodities Authority (SCA) chaired the meeting which was attended by CEO's of securities market regulators from Saudi Arabia, Kuwait, Bahrain, Qatar and Oman. H.E. Abdullah bin Juma Al-Shibli, GCC Assistant Secretary General for Economic Affairs, was also present at the meeting.

The meeting stressed the need to move forward by working with all initiatives on the table to achieve the ultimate goal of a unified GCC financial market that is based on permanent rules regarding the initial public offering (IPO) and subscriptions and by adopting strong and systematic standards in the areas of corporate governance, disclosure and transparency, as well as in supervision and regulatory methods.

The meeting underscored the need for concerted efforts to achieve integration of GCC markets, being the pivot for working towards achieving a unified GCC securities market.

The current session of the committee of heads of GCC securities market regulators is under the chairmanship of the United Arab Emirates.

The meeting approved the draft unified rules for disclosure of listed securities on the markets of member states and referred the draft rules to the



ministerial committee of board chairmen of securities market regulatory bodies of GCC member states.

The meeting reviewed the reports of the sub-committee tasked with making recommendations regarding the best way to facilitate the unification of GCC securities

markets, the results of the 6th and 7th meetings of the IPO and subscriptions task forces and other issues on the agenda and made the appropriate decisions and recommendations on them.

In a statement, Al-Turifi said the securities market regulators participating in the meeting seek to make initiatives and put

in place mechanisms that would help achieve integration of markets of GCC member states, expedite actions by deliberating over the studies conducted on those subjects before referring them to the various task forces and sub-committees for further scrutiny, adding that the target is to achieve and accomplish draft unified rules that would unify securities market related policies and regulations in a step towards achieving market integration. "The committee made a number of decisions on the unifying of rules related to securities markets in GCC to help achieve the aspiration of market integration among member states," he said.

A number of task forces, under the supervision of the committee of heads of GCC securities market regulators, are studying various issues after which they will make recommendations to the latter, which shall, in turn, deliberate over the issues before referring and making recommendations on them to the ministerial committee of board chairmen of GCC securities

SCA Participates in UASE Annual Conference

The SCA has participated in the annual meeting of the Union of Arab Stock Exchanges (UASE), which was recently held in Abu Dhabi. H.E. Ibrahim Al-Za'abi, Deputy CEO for Legal Affairs, Issuance and Research, represented the SCA at the conference which was attended by heads and members of Arab stock exchanges.

On behalf of H.E. Abdullah Al-Turifi, CEO of the SCA, Al-Za'abi delivered an address in which he said that member states of the GCC has been working relentlessly to achieve economic integration by adopting practicable policies



and realistic objectives which are being applied gradually, adding that the GCC states have approved a document on the establishment of GCC Common Market, which is now at an advanced stage in the economic integration



SCA Launches Initiatives to Achieve Highest Degree of Customer Service Excellence

H.E. Abdullah Al-Turifi, CEO of the SCA has said that improving the standard of customer services is a top priority of the SCA, which continues to use all its available resources to achieve the highest degree of customer satisfaction for services being rendered to them.

Al-Turifi made the comment in the preface of the “Customer Service Excellence” manual, issued by his outfit. He said the manual, which is the main reference for every SCA staff in providing services to SCA clients, was in conformity with the federal government policy which aims at improving government performance in customer service, adding that the SCA continues to strive to entrench the culture of excellence among its staff through sustainable development of its human resources, continues improvement of its staff performance in service provision by various means to make those services easily accessible to all SCA clients.

The manual, which contains international guidelines, advice and standards related to customer service excellence, aims at training employees and at assessing the level

of adherence and application of those standards by employees. Some of the major issues tackled by the manual include, the Anonymous Client, Criteria of excellence in phone, internet and reception manners.

In building the capacities of its staff, the SCA has organized and lined-up many training programs and workshops on customer service, established online education programs and conducted international standards exams in customer service excellence, in collaboration with the UK-based Institute of Leadership and Management. It has also organized a number of open discussions seminars between experts and its staff, distributed questionnaires among its staff to assess the level of their standards in customer service excellence and launched internal awareness campaign to deepen the culture of excellence among its staff.

The SCA has also set up three task forces, representing its various sectors, to suggest other initiatives which would contribute positively to its customer service excellence drive.

SCA Organizes Lecture on Minimizing the Use of Plastic Bags

The SCA, in collaboration with the Environment Agency – Abu Dhabi, has organized at its Abu Dhabi headquarters a lecture on minimizing the use of plastic bags.

The lecture, which was held under the theme: “UAE Free of Plastic Bags”, was in line with the SCA’s efforts to boost social awareness and whip up nationalism.

Issues like minimizing the use of plastic bags, the dangers of plastic bags on the environment and other related issues were discussed during the lecture which attracted

a large number of SCA employees from various departments.

The lecturer disclosed that the UAE consumes more than one billion plastic bags annually, a situation which necessitated the ongoing nationwide campaign to execute a national strategic plan to curtail the menace by involving the general public in protecting the environment, through the minimizing of the use of plastic bags and opting for use of degradable plastic bags by 2013

SCA’s IT Department Awarded ISO 27001: 2005 Certificate

The SCA’s Department of Information Technology (IT) has been awarded recently an ISO 27001:2005 certificate on Information Security, in recognition of its adoption and application of high standard IT security and protection criteria. The award followed the inspection of the IT Department’s three sections – Network and Protection Section, Operations and Technical Support Section and Development and Programming Section.

To win an ISO certificate, one must have to implement and achieve high standard IT security and protection criteria, have an emergency plan of action, sustainable working plan and prepare practical policies and procedures to ensure information security.

Through a number of training programs organized by the SCA, the department’s employees have been trained to implement the required standards of the information security policies.

SCA Approves Registration of Watania & Eshraq Properties

The SCA has approved applications for the registration and subsequent listing on the securities markets submitted by National Takaful company (Watania) PJSC and Eshraq Properties under the Grade Two category. This brings to (134) the total number of SCA-registered public joint stock companies, including (26) foreign companies.

SCA Participates in “Help Them” Fundraising Campaign for Horn of Africa

In line with the directives of H.H. Sheikh Khalifa bin Zayed Al-Nahyan, UAE President and H.H. Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, employees of the SCA have participated in the nationwide aid fundraising campaign to reach out to the victims of draught and famine in the Horn of Africa region.

The SCA employees voluntarily organized a fundraiser internally to respond positively to the nationwide campaign, dubbed “Suqyaahum”, meaning (Quenching their thirst) and “A’eenouhum”, meaning (Help them), which seeks to reach out to millions of people suffering from famine and draught in Somalia and other countries in the Horn of Africa. The move reflects their deep sense of awareness of the SCA’s social responsibilities and the UAE’s humanitarian role, manifested in many countries of the world where the UAE extended the hands of assistance, to alleviate the sufferings of people affected by disasters.



SCA Logo Splashed on NASDAQ Giant Screen

as SCA participates in 7th SMARTS Conference in New York

NASDAQ's giant screen in New York has displayed the logo of the Securities and Commodities Authority (SCA) with a message of thanks and gratitude from NASDAQ OMX to the SCA for the latter's proactive participation in the 7th SMARTS Surveillance Conference 2011, which was held in New York.

H.E. Maryam Al-Suwaidi, Deputy CEO for Licensing Affairs, Supervision and Enforcement, led the SCA delegation to the three-day conference which was attended by over 100 key market surveillance professionals during which they engaged in knowledge building, idea sharing and networking.

The conference, which was held in four key sessions, discussed latest developments in the financial market surveillance techniques using the SMARTS Integrity technologies.

H.E. Maryam Al Suwaidi, explained in her presentation how her organization leverages SMARTS Integrity to improve surveillance on the UAE markets. She said the United Arab Emirates has two securities markets - the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM). "Both are powered by NASDAQ OMX trading technology, which is compatible with SMARTS Integrity. Trading data flows seamlessly in real time from the exchanges' trading platforms to SMARTS Integrity and then back to SCA and both marketplaces with alerts for further analysis," she stated.

"When the stock exchanges get alerts and data from SMARTS Integrity, SCA also gets the same information," said Al Suwaidi. "That, of course, has enabled coordination between the exchanges and the regulator," she added.



SCA: Q3 of 2011 Disclosure Rate of Local PJSCs is 98.2%

ABU DHABI: The Emirates Securities and Commodities Authority (SCA) has said that disclosure rate of local public joint stock companies (PJSCs) for the 3rd fiscal quarter, ending on 30/09/2011 has reached 98.2%. It added that 119 out of a total of 127 local PJSCs listed on the UAE markets and registered at the SCA have furnished the latter with the

aforementioned statements within the legally stipulated time, representing a disclosure rate of 94%.

The SCA pointed out that 106 out of 108 local PJSCs listed on the UAE markets have declared their statement for the third fiscal quarter ending September 30, 2011, while eight others, including two local and six foreign PJSCs, failed

to declare their statement within the stipulated period.

In a statement, the SCA praised the companies which made the disclosure within the stipulated timeframe and underscored the significance of timely disclosures in building confidence on the market by releasing valuable information to investors.





SCA Signs Agreement with ADX, DFM to Implement XBRL in UAE

The Emirates Securities and Commodities Authority (SCA) has signed an agreement with the Abu Dhabi Stock Exchange (ADX) and the Dubai Financial Market (DFM) to start implementing international financial reporting standards for listed companies, by using the eXtensible Business Reporting Language (XBRL).

H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, signed the agreement for his side, while H.E. Essa Kazim, DFM Executive Chairman and H.E. Rashid Al-Buloushi, ADX Deputy CEO and Director of Operations, also signed for their respective outfits.

The agreement is part of the efforts being made by the SCA, in collaboration with the two markets, to improve transactions by enhancing disclosure and transparency on the markets. It is also in

Al-Turifi: The new system will help companies listed on the markets distribute, analyze and display information with ease

implementation of the SCA's strategic plan of applying advanced technologies on the local markets.

Based on the schedule for implementing the project in the UAE, the first provisional report of the new system will coincide with the time for release of the fourth quarter (Q4) report of 2011, which will cover twenty companies listed on each of the ADX and DFM. The companies are to be selected according to market value and sector.

In a comment after the signing of the agreement, Al-Turifi said the move will

Kazim: The new criterion will boost disclosure of financial statement on local markets

facilitate the smooth display, storage and use of financial data electronically, information delivery at the right time to match with investment developments on the markets and direct transaction of securities business.

He added that the new system will allow investors and financial analysts to quickly and accurately analyze data due to its ability to arrange and categorize financial data in a way that facilitates comparison vertically and horizontally, leading to high quality and accurate in-depth analysis.

He pointed out that,

Al-Buloushi: It is a milestone achievement which will help implement international standards of financial reporting

regionally, the UAE has set the pace in the implementation of XBRL in the financial markets, just as it did in the area of using XBRL in issuing financial adequacy reports of brokerage companies, in addition to being a pioneer in using the XBRL for the 2011 international financial reporting standards ranking.

He said the new development was in line with the UAE's 2021 National Charter, which aims at making the UAE "one of the best countries in the world" and to boost the country's status among the comity of nations, showcasing

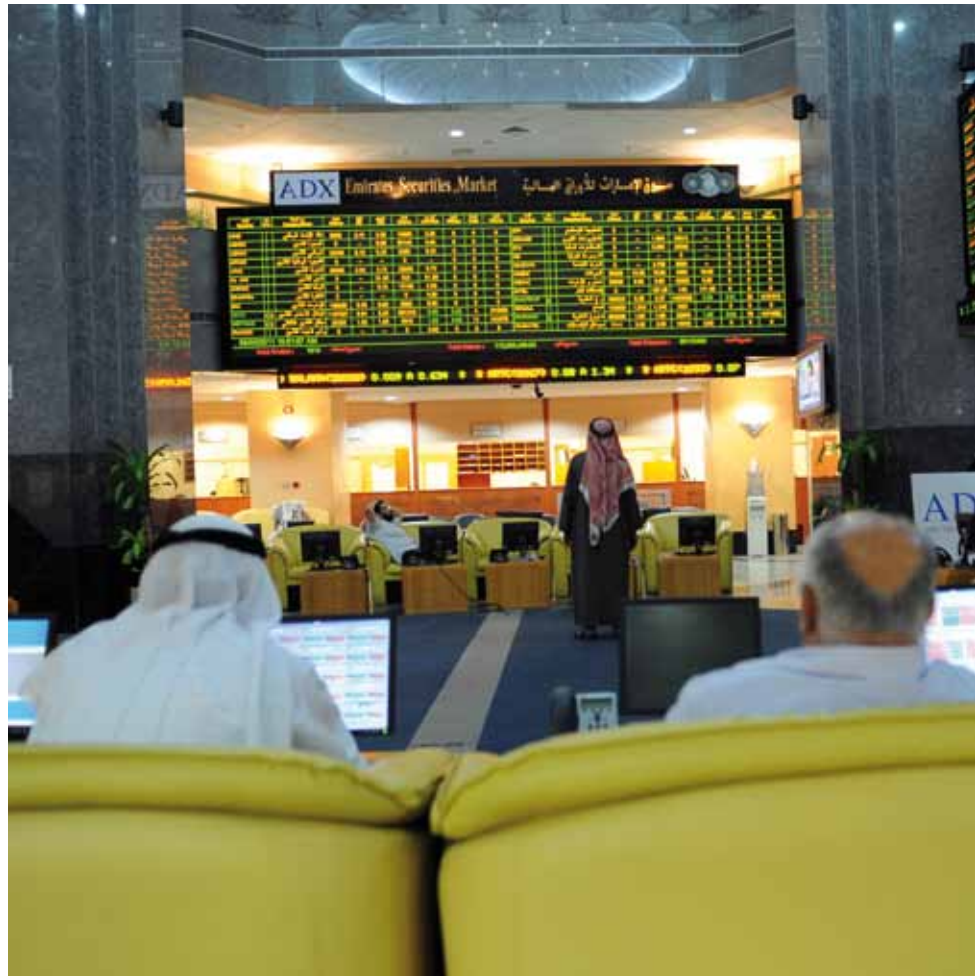
it as a regional and international role model through its enviable achievements.

Accurate Data

H.E. Essa Kazim also commented at the end of the signing ceremony saying that the application of the XBRL standards has a lot of benefits, particularly in the area of preparing and releasing of financial statement and disclosure, adding that the system, which saves time and efforts, is very effective and would further boost accuracy and authenticity of data for all the concerned parties, including issuers and users of the data.

He pointed out that the new standard provides for companies a mechanism for releasing all types of information, including financial statements and corporate disclosures. “The applying of XBRL in publishing financial statement will help improve disclosure by companies listed on our local markets and elevate the system to the highest level of its application on the international markets,” he said, adding that applying the system will also contribute immensely in the swift disclosure of financial statements by companies, making such information available to concerned investors at the right time.

He noted that the DFM collaborated with the SCA and the ADX to set up the phases of implementing the new system in a very professional way, by tasking a joint committee to probe for the best way to apply the new system. He said the committee continues to work to educate the public joint stock companies about the new system to help them adjust to it rapidly and



effectively, adding that the committee had also held a meeting with representatives of major auditing and accounting firms handling the financial statements of concerned companies to sensitize them about the new development and project. “We look forward to positive cooperation from the concerned companies, in view of the fact that the new system will enhance financial statement preparation, analysis and publishing, which will, in turn, boost investor confidence,” he said.

Transparency and Disclosure

Also commenting on the occasion, H.E. Rashid Al-Buloushi said the customizing

of the XBRL for financial statement purposes is an important achievement as it takes the sharing and display of financial information to the internet age thereby saving efforts and cost, adding that the successful conversion to the new system was the fruit of joint efforts among the concerned bodies in the UAE as a joint committee and professional task force, with members drawn from the SCA, the ADX and the DFM, worked assiduously in the past to make the project a successful reality.

He pointed out that the market will continue to exert great efforts to ensure continuous development of services being rendered to

investors. “By collaborating with the SCA and the DFM, we remain committed to providing the best products and services our clients expect from us. Therefore, we will continue to work side by side with all the concerned government and professional entities to ensure that all concerned parties in this country benefit from our adoption of the XBRL system,” he said, adding that the new system is part of the UAE government’s vision, in general and the ADX’ vision, in particular, having been based on the principles of transparency, disclosure and application of best international practices, which are prerequisites the ADX set forth for all its listed





Al-Turifi: SCA to Issue a Number of Regulations in Near Future

Mutual fund and market-maker regulations included

H.E. Abdullah Al-Turifi, CEO of the Securities and Commodities Authority (SCA) has said that his outfit will, in the near future, issue a package of regulations when the atmosphere is conducive for their implementation, adding that the regulations include mutual fund and market-maker regulations, which are expected to play immense role in boosting transactions on the financial markets.

Al-Turifi, who was speaking during a forum on “Local Financial Markets... Reading the Reality With an Eye on the Future”, organized recently by the UAE Arabic daily “Al-Bayan”, revealed that the SCA has plans for issuing other regulations including regulations concerning issuance and derivatives. He said the regulations will be issued in 2012 or 2013.

The forum brought together representatives from the SCA, the local UAE markets and brokers. He said the SCA, in collaboration with the financial markets, has issued over the past years many regulations and rules which formed the cornerstone of the local markets’ operation, adding that those legislations are of the same standards with those in many countries of the world.

He pointed out that the SCA, before issuing any law or regulation, consults the administrations of the local markets, set up committees to deliberate on the issue and invite input from all concerned bodies before finally issuing the legislation in its final form. He said the SCA has an advisory board which consists of international experts from various continents of the world, who are specialists in the area of financial market development, adding that the SCA taps the experience of these experts. “We listen to their advice without necessarily having to take them in full. We take what we believe is appropriate for the UAE based on our deep belief that every country has its own characteristics and conditions which all regulations must take into consideration before they are passed. We also take into consideration the nature of our markets which are currently under the status of emerging market, therefore they still need more time to reach maturity status,” he explained.

“There are voices calling for implementation of regulations that are currently not in use here in the country. We are not opposed to implementing everything that is modern but the condition and time

must be ripe for the issuance of any new regulation,” he posited.

Talking on the global financial crisis which hit and devastated the world, the CEO of the SCA said the crisis has adversely affected local financial markets. “We cannot deny this fact. Market performance is still low and below the level of ambition on our markets and similarly on the regional and international markets,” he said, but he was quick to add that the truth and actual developments regarding the economic development in the UAE and its positive impact on the local markets are not being told as they are. “The indicators from professional sources are pointing to a growth rate of 3.5% for UAE, which is the highest in the region but that is not reflecting positively on the performance of the markets, which are supposed to reflect the economic situation and the growth rate of any country.

“In anyway, we are still better than others at all levels. The UAE markets have recorded better performance in the third quarter of 2011 than most of the international markets. According to statistics, emerging markets suffered a depreciation of 25%, and the general international markets slipped

by 14.5%, compared to UAE's 7%," he argued.

"In my opinion, I believe that in spite of the difficult situation the global crisis created in all countries of the world, we are certainly living in a country where the growth rate is very high and development wheel continues to roll. We are in a country that has the strength to overcome difficulties, thanks to our wise leadership. We have succeeded in minimizing the impact of the global financial crisis which has devastated all countries of the world," he posited.

He pointed out that the SCA had provided all the facilities that would attract new companies to list on the market, including cutting down nominal value of share to 25 Fils during subscription, but we are still waiting for more positive response.

In a related matter, Al-Turifi said there is no tangible excuse for mutual funds and other financial bodies in the country to hesitate in investing in the local financial markets and opt for foreign ones. "I don't have a good excuse for this kind of matter," he said, adding that the SCA's doors are wide open for all suggestions that would help develop and strengthen the work of these funds.

He said his outfit looks forward to seeing some national investment funds investing on the local markets, especially in the clear absence of tangible economic or security reasons. "This is happening at a time when the net income of companies listed on UAE markets has appreciated by 42% in the second quarter of 2011 compared to the same period last year," he added.

He pointed out that the UAE is regarded as an important financial hub at the regional and Middle East levels, in general. "We wish we would hear any of these funds outlining their observations for us to get our acts together to help activate the works of these funds in a way that would not harm the interest of the markets in the end," he said.

He explained that managing portfolios professionally and on sound basis serves the interest of various parties in the market to reflect positively on the market, in general. "This minimizes risk on investors through the diversification of the components of the portfolio and minimizing risk also

improves market competence, while active investment portfolios help boost liquidity on the market," he said, adding that UAE markets remain the best and most feasible investment-wise in the region, despite all the circumstances.

He pointed out that the SCA had issued license to three local investment funds and there are ongoing studies to grant license to other funds by the end of this year and next year. This is in addition to promotion license for 66 foreign investment funds.

Brokers

Touching on brokers, Al-Turifi said the SCA and the markets are trying to provide all the possible support for brokerage firms within the confines of the standing regulations, adding that his outfit is regularly studying various solutions that would help companies operating in that sector. "This business, like any other businesses, is exposed to peak and lean periods. We will always be the first to encourage and support whoever is capable of moving forward with his work and whoever is not capable can withdraw," he posited.

Currently, there are 57 licensed brokerage companies operating in the local securities markets, in addition to 39 others on the commodities market. Efforts are being made to encourage the companies to consider merger as a way of boosting their capacity.

"We always welcome suggestions which would help brokerage firms continue to sustain their operation, but these suggestions should be reasonable and acceptable and should be in harmony with the standing regulations," he opined.

The SCA has made several initiatives to alleviate the difficulties of brokerage firms, including a cut in the cost of network lines and data transfer. The issue of amending the value of capital adequacy and bank guarantee is also under consideration now, in light of ongoing studies to rank the brokerage companies with the aim of improving their performance by cutting down their operation cost and licensing requirements.

Listed Companies Do Not Represent Actual UAE Economic Situation

Also talking at the forum, H.E Essa Kazim, CEO of Dubai Financial Market

(DFM), attributed the lack of harmony between the performance of the markets and the steady growth of UAE economic indicators to the fact that the markets are a group of listed companies which, in the end, reflects just a sample of economic situation picture, which can be real or unreal.

"In the case of our markets, we need more time to make the sample of our listed companies to reflect the actual economic situation of the UAE, for example: 80% of the market value represents just two sectors – the real estate, building and construction sector and the banking sector – Looking at Dubai's economy, we will notice that the two sectors contribute only 30% of its gross domestic product (GDP). This means there are 70% of economic sectors that are not represented in the financial market. This supports the argument that the sample represented on the market does not reflect the general economic situation. It is therefore wrong to measure and compare the market performance with economic growth indicators," he argued.

He said more than hundred thousand trade licenses had been issued in Dubai whereas only 40 companies are listed on the market. "We tried in the past to convince many qualified companies to list on the market and we are still trying to get the companies trading on the market to represent all sectors of the emirate's economy, particularly, the trade, tourism, logistics and ports sectors, health and education sectors which were not affected

SCA provides support for brokers within the confines of the standing regulations



by the crisis, in addition to all the various family companies,” he explained.

He said the market, in collaboration with some institutions, is conducting studies to see if it can launch a special market for small and medium-scale companies. “But everything is now under studies. We are yet to see a clear picture of the ultimate goal,” he added.

Kazim reiterated the need to close the gap between the interest rate to the Dirham and Dollar. He said historically, the gap never goes beyond 0.25%, but has stretched to 1.8% since 2009. “It is true that there is liquidity in the banking sector, but that did not reflect on the interest rate which is supposed to be the major engine of all economic activities, including the stock markets. This eventually means there is something wrong in the interest rates failure to respond to the Dirham compared to the Dollar.

Touching on brokerage companies, Kazim said there used to be about 11 companies operating in the market in 2003. This number rose to over 100 companies during the booming era. Some of these firms continue to operate while others decided to quit. This is natural. It happens in all other sectors. Whoever is not capable to continue the struggle better quit, he opined.

Coporate Investment

Also on the program was H.E. Rashid Al-Buloushi, CEO and Operations Director of the Abu Dhabi Stock Exchange (ADX), who said in his submission that there is lack of harmony between the performance of the markets and the economic indicators due to lack of representation for many sectors in the markets, adding that there are currently 66 companies listed on the ADX whereas the Abu Dhabi economy is not based only on those companies.

“When we talk about lack of harmony between the two sides it means the continuous fall of the markets is being caused by other factors, notably, the fact that majority of traders on the markets are individuals, unlike in many advanced markets where corporate investors form the majority of traders and their decisions are based on thorough studies while most individual investors based their decisions on



the ‘flock-movement’ policy,” he argued.

He pointed out that the markets are like a means for savings. “But so long as individual investment dominates our markets, it’s natural to see that impact negatively on our indicators and prices and to see confidence waning in transactions although dividend may be good in the case of speculation,” he explained. “I think, in view of what I just said, what our markets lack much is corporate investment,” he opined.

“On our part, we as a market, have worked hard to entrench transparency, disclosure and to disseminate information to all at the same time to create an attractive investment environment in terms of legislations. We have also put in place the appropriate infrastructure, provided the best services and held many meetings with portfolios to encourage them to enter the markets,” he further explained.

Al-Buloushi said there is no magic solution to the situation the markets are currently going through, but the situation needs a package of solutions to enable the markets regain their vibrance. These solutions include diversifying investment tools and encouraging the listing of bonds

and sukuk, adding that his outfit had written to many government quarters on this matter.

“Perhaps it will be very useful to have a market-maker in the nearest future. We also need to have investment precautionary tools,” he said, adding that foreign investments move around all markets in huge amounts. “We have only two solutions – either to close our doors for those investments, which we must rule

Ali Shahdour: The Media is a Development Partner

Ali Shahdour, Managing Editor of “Al-Bayan” opened the forum. In his welcome address, he said this kind of meeting contributes in enriching discussions on all issues of interest to the society and the national economy. In view of the fact that the media is now considered a partner in support of UAE’s comprehensive development drive, under the leadership of H.H. Sheikh Khalifa bin Zayed Al-Nahyan, UAE President and under the continuous follow-up of H.H. Sheikh Mohammed bin Rashid Al-Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai.



out because it is not in our interest, or we try to attract more of this liquidity,” he suggested.

External Factors

For his part, Mohammed Ali Yasin, Investment Manager of the Abu Dhabi-based CapM Investment Co., said: “When we talk about developing the markets, we need to know that there are things that we can do and others that are far beyond our reach. We are living in a time of economic decline worldwide since 2008 when problems of the banking and mortgage sector cropped up forcing the government to intervene to save the situation. But in 2011, we reached a stage where the problem became the problem of the whole countries of the world and not the problem of particular sectors,” he argued.

He pointed out that the current problems of the market, which include scant liquidity and waning confidence stem mainly from foreign factors, while the foreign media operating in our midst has now been analyzing our situation from a foreign point of view. This is another problem which inflames investor fears.

He said the world’s financial system has witnessed a chaotic lending spree in the recent past. Let’s take the derivatives for example. Meaningless assets were created only to terrify investors and companies for lack of clear vision for the future, he added. “The question here is: why is this affecting our markets negatively? We all remember when foreign investment flood into our markets in 2005 only for us to see it flying out later from 2008,” he narrated.

He said the UAE market has in 2011 more laws, rules and regulations than it had five years ago. “This means the laws are not the cause of the problems. The foreign investor is using the laws as excuse to stay away from our markets,” he opined.

He pointed out that what attracts investors to any market is the liquidity. He said when trading value rose in 2005 to reach more than half of a trillion of Dirhams, it was not because of the existence of excellent legislation infrastructure, but rather due to the existence of abundant opportunities and Gulf and local liquidity. “But today some people are saying when we are listed on Morgan Stanley indices and when we

There is no tangible excuse for local & foreign mutual funds to hesitate in investing on local markets

implement the Delivery versus Payment (DvP) that will help bring back vibrant activities to the markets. This can never be true, because foreign investment will never return to our markets when liquidity is scant in those markets,” he added.

He said the local government portfolios need to play greater role by investing part of their assets in a well-studied manner. “This kind of intervention has been applied in many countries of the world, including some Gulf countries. Note that indirect government intervention like this is not aimed at lifting the market but to create profit for the market,” he explained.

Scarce Liquidity

Nabil Farahat, a partner in Al-Fajr Securities, believes that majority of the factors affecting the financial markets come from outside the markets. Most significantly, he said, are the economic situation despite the improvement so far, it appears to be a weak one as government spending remains low in 2010, while banks continue to maintain stringent measures in lending with most of the lending in recent past direct to government companies which spent most of the money on debt servicing of overdue debts or in buying equity in foreign companies. Therefore the little liquidity left continued to flow outside the local economic cycle and this reflect negatively on the financial sector in terms of low stock prices the sinking of trading activities to its

lowest ebb in the history of the securities industry as a result of scant liquidity in the nation’s economy, he added.

He pointed out that the world economies teamed up to solve the global crisis via three major axes. “The first was by pumping more liquidity in banks in the form of assets and increasing capital to stave-off systemic risks (bankruptcy). The second was passing new legislations and laws to prevent the reoccurrence of the crisis in the future and the third was by supporting the local economic cycle through the increasing of government spending and/or adopting of flexible fiscal policy,” he explained.

He said the government spending policy receded in 2010, according to IMF report, just as bank lending growth in the UAE also receded to 2.5% during the same period. Therefore, we can clearly see that financial and fiscal policy is in recession at a time when the economy needs expansion policy, he posited.

“Through our discussions with the banks, we understand the government’s efforts to lower its spending. We also understand the situation of the banks for stepping on the break in lending due to their failure to attract long-term deposits and the high fluctuation in deposit. This is in view of the unfolding events in Europe, the Greece crisis and the Arab Spring, which made foreign investment unreliable in solving the crisis (About AED45 billion or 4.5% of total deposits of local banks flew out of the country between July and August) because the foreign depositors themselves needed liquidity. Similarly, any future deposits will be short-term with higher than normal interest rate on the market”, he said, adding that government deposits are substantive alternative for the receded spending.

Farahat continued his argument saying that an IMF report suggested to the UAE government to pump-in long-term assets in local banks to bring relief to the latter to encourage them to continue lending in order to boost the economic cycle to serve as an alternative for government spending at this stage until the end of the crisis. “That’s why we see that solving the crisis of liquidity and its lack of circulating in the local economy will lead to solving the situations on the financial markets, through the steady receding of assets prices and



SCA Advisory Board... Playing a Pivot Role in Issuance of Capital Market Regulations

As part of its efforts to continuously improve the performance of the country's financial markets and to meet the rapid developments and international legislations of financial markets, the SCA has set up in 2007 an advisory board which provides technical advice to the SCA board of directors.

The main duties of the Advisory Board include offering technical advice to the SCA Board of Directors or prepare the necessary studies on any subject matter requested by the Board, follow-up developments related to international laws, legislations and regulations, as well as all technical regulations on international financial markets in order to provide suggestions on the most appropriate practices for the SCA and UAE securities markets, assessing the impact of SCA regulations and decisions on UAE securities industry sector and on those transacting business on the local markets.

Since its establishment, the advisory board

has held meetings which mainly dealt with setting an order of priority for issuing specific regulations, as well as setting a specific scope for those regulations, which takes into account the intrinsic situation of the UAE's financial markets, in addition to evaluating the situation of the UAE's financial markets, within the world's financial framework.

The board also conducts studies to identify areas that need development in the working environment of the SCA and the UAE securities markets, in particular and in the UAE financial sector, in general, suggesting avenues of developing the UAE financial services industry and other matters that would be referred to the Advisory Board by the SCA Board of Directors Chairman or the SCA Chief Executive Officer.

Membership of the board, which is made up of experts with great experience in the securities industry, is two years renewable. Following are the profiles of members of the reconstituted SCA advisory board:



Mr. Guillermo Larrain

Mr. Guillermo Larrain is Chairman of the Center for Regulation and Macroeconomic Stability at the University of Chile Economics Department and Chairman of Chile Capital Consulting.

He is a former chairman of the Emerging Markets Committee of IOSCO, the International Organization of Securities Commissions and a former chairman of the Securities and Insurance Superintendence and the Pension's Superintendence of the Government of Chile.

Guillermo Larrain, a Chilean citizen, is Ph.D. and Master in Economics from Ecole des Hautes Etudes en Sciences Sociales (EHESS-DELTA), Paris, 2004; Magister in Economics from Universidad Católica de Chile, 1992; Economist from Universidad Católica de Chile, 1989.

Between 1993 and 1997, Mr. Larrain was Research Associate at the OECD Development Centre, Paris. Between 2000 and 2003, he was Chief Economist at the BBVA Bank in Chile. While Chairman of the Pension Funds Administrators Regulator Mr. Larrain was Chairman of the Chilean Risk Rating Commission, Chairman of the International Organization of Pension Fund Supervisory Agencies (AIOS) and Deputy Chairman of the International Organization of Pension Supervisors (IOPS).

Sir Andrew Large retired in 2006 as Deputy Governor of the Bank of England where he had served since 2002. He now acts independently for central banks and governments in relation to financial stability and crisis prevention issues.

He is in addition Chairman of the Senior Advisory Board of Oliver Wyman; Senior Adviser to Hedge Fund Standards Board; Chairman of the Advisory Committee of Marshall Wace, and Chairman of the Board Risk Committee of Axis, Bermuda.

Andrew Large's career has covered a wide range of senior positions in the world of global finance, within both the private and public sectors. Earlier Andrew spent twenty years in capital markets and investment



Sir Andrew Large

banking, first with Orion Bank and then with Swiss Bank Corporation, serving as a non-Swiss on its Management Board from 1987-1989. Prior to his time at the Bank of England he served from 1992-1997 as Chairman of the UK's supervisory authority, the Securities and Investments Board, which was the precursor of the FSA. Andrew also served as Deputy Chairman of

Barclays Group from 1998-2002.

During his period at Barclays, Andrew was Chairman of Euroclear in Brussels. Concurrently he served on the Managing Director of the IMF's Capital Markets Consultative Group between 1999 and 2002, and chaired for the Group of 30 a global report into strengthening the global financial infrastructure for clearing and settlement.

Andrew has a keen interest in education; he is the Chairman of the newly created INSEAD Advisory Council and was a member of the INSEAD Board from 1998 to 2010. He is a former Warden of Winchester College. He collects ancient varieties of apple trees which he grows at his home in Wales.





Mr. Mariano Bengoechea

He is currently a board member of the European Capital Markets Institute which was established in 1993 by the European Federation of Financial Analysts Societies, the Federation of European Securities Exchanges and the International Securities market Association, a post he has been holding since 1994.

From 1989 to 2006, Mr. Mariano engaged with the Citibank N.A, an affiliate of the CitiGroup, where he occupied various top positions, including Head of the Financial Markets Development Group, where he was involved in the development, modernization and reform of financial systems and capital markets in over 55 developed and emerging markets worldwide. He was also a member of the Bank's Global Payments Risk Committee, representing the Emerging Markets Group. He also served as the Development director for Europe, global Financial Institutions and Transaction Services Group.

He was also a member of the Group of Thirty (G-30), during which he participated in the study group on Clearance and Settlement in the World's Securities Markets. He was also a member of the team that followed-up the implementation of the G-30 recommendations around the world. He was also the CEO of Madrid Stock Exchange. He currently occupies posts in various institutions, including being the chairman of the Advisory Board of the National Bank of Abu Dhabi Fund, a member of the Royal Institute of International Affairs in London and a former member of the Advisory Board of the Shanghai Securities Exchange.

Mr. Paul M Koster was appointed as a Chief Executive of the DFSA on 1 December, 2008.

Prior to becoming Chief Executive, he was Commissioner and Member of the Executive Board of the Netherlands Authority for the Financial Markets (AFM), the national, integrated conduct of business financial services regulator for the Netherlands where he was identified as one of the four leaders shaping the conscience of Dutch business. Mr Koster joined the AFM in March 2001 and in addition to his duties as a Commissioner, he chaired from May 2006 until December 2007, CESR-Fin, the permanent working party of the Committee of European Securities Regulators that co-ordinates the endorsement and enforcement of financial



Mr. Paul M Koster

reporting standards in Europe. For the previous two years he had chaired CESR's Subcommittee on International Standards Endorsement. During his time with the AFM, he was also a member of the International Organization of Securities Commissions (IOSCO) Chairs' Committee and, as Chief Executive of the DFSA, he remains actively involved in the work of IOSCO. Mr Koster previously served as

Executive Vice President (Corporate Internal Audit) at Royal Philips Electronics (1998-2001); as Managing Partner Corporate Finance, Coopers & Lybrand (1988-1998); and as Chief Compliance Officer and Acting Commissioner of Quotations, Amsterdam Stock Exchange (1986-1988); and carried out a number of senior finance functions in his earlier career.

In May 2009 Mr Koster joined the Advisory Board of SCA, and in July 2009 also became a Member of the Consultative Advisory Groups of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). In September 2010, Mr Koster both won the 'CEO of the Year for Financial Services'

Mr. Maco is a partner with Vinson & Elkins L.L.P. responsible for the Corporate Governance and Compliance Group and practices in the areas of federal securities and commodities law and public finance. He represents clients in enforcement and regulatory matters before federal regulators and self regulatory bodies.

Mr. Maco held the post of Director of the U.S. Securities and Exchange Commission's (SEC) Office of Municipal Securities until 2000.

He began his career as an attorney in the SEC's Division of Enforcement and, after 15 years in private practice, returned to the SEC as an attorney in the SEC's Office of General Counsel, co-reporting to the Chairman and the General Counsel. As Director, Paul

was responsible for leading the effort to modernize regulation of the municipal bond market under former SEC Chairman Arthur Levitt.

In addition to his activities as a lawyer, he has served as a faculty member of the Morin Center for Banking Law Studies, Boston University School of Law: Federal Securities Law and International Securities Transactions, and Adjunct Associate Professor of Law: Federal Securities Markets, American University Washington College of Law.

He received the Chairman's Award for Excellence in 1994 for his work at the SEC, The National Federation of Municipal Analysts Industry Contribution Award in 2001, and The Carlson Prize from the National Association of Bond Lawyers in 2009 "for



Mr. Paul S. Maco

sustained scholarly analysis in the Federal Securities Law Column" in the journal of the association. Paul is listed in The Best Lawyers in America in securities law, corporate governance and compliance, and public finance, in Washington D.C. Super Lawyers for securities litigation and securities and corporate finance, and in Benchmark Litigation as a Litigation Star in Washington D.C. for

DGCX Has Sealed Contracts Totaling US\$476m

More than 10 million contracts signed

The Dubai Gold and Commodities Exchange (DGCX) has traded over ten (10) million contracts at a total value of USD476 billion since the exchange was founded, it was revealed by Ahmed bin Sulayem, DGCX Board Chairman. He added that the volume of trading crossed the two million contracts last July, the first time in the history of the bourse.

Bin Sulayem who made the disclosure in an exclusive interview with the “Awraq Maliyah” said the existence of derivative market like the DGCX plays a vital role in boosting commodities and currency market by providing precautionary tools and mechanisms that would allow investors on the market to manage risk within a well-organized and transparent environment.

He pointed out that the DGCX was the only bourse in the region which conducts settlement locally and helps protect investors against risk by playing the role of buyer for each contract sold and the role of seller for each contract purchased, in a way that ensures settlement, while the clearance company, fully owned by the DGCX ensures the money remains inside the United Arab Emirates.

Following is the full text of the interview:

*** What Role is the DGCX playing in support of economic development of Dubai and the UAE, in general?**

The United Arab Emirates is arguably one of the most attractive trade destinations in the region in view of the country's open economy policy, attractive business environment and fast economic growth. The UAE has developed rapidly over the years to become a major international trade hub between the East and the West.

The increase in international trade and the open economic policy demanded from investors on the market to take extra precautionary measures against risk that confront them including prices fluctuation and currency exchange. Therefore, the existence of derivative market like the DGCX plays a vital role in boosting commodities and currency market by providing precautionary tools and mechanisms that would allow investors on

“Derivatives market is a major booster for commodities and currency market”

Ahmed bin Sulayem
DGCX Board Chairman



the market to manage risk within a well-organized and transparent environment. The DGCX is also an international commodities exchange market that links the time zones of East Asia and Europe and provides market investors the opportunity to take precautionary measures against risk, particularly in this delicate time, when risk abounds everywhere and price fluctuation has become rampant on the market. The DGCX plays a very important economic function by providing investors with means and tools that minimize credit and operation risks within a safe and transparent environment.

*** What is the most significant commodity being traded side by side with Gold, and what is the most commonly traded commodity, in general?**

The DGCX provides variety of products, including currencies, precious and basic metals and energy. Our main goal is to make the bourse “First Option” in the region by providing the most effective products in terms of cost and service provision which meet the needs of current and future investors on the market.

The DGCX currently lists seven pairs of currencies, in addition to dealing in precious metals, basic metals and crude oil derivatives.

Future currency contracts are also an important part of the bourse's general trading volume and this reflects the great need for precaution by investors and clients against the risk of price fluctuation in

currency exchange, in light of the unstable economic climate reigning today. Currency futures contracts have grown sharply last year by trading 511279 contracts in August 2011.

Based on its position in the Middle East, the DGCX meets the requirements of the time zone between major markets in Europe and the Far East. How did you manage to exploit this advantage?

The strategic geographical location of the DGCX which places the latter in the middle between Europe and the Far East, has boosted the growth of derivatives trade in the region as the strategic location between the various time zones has allowed the DGCX to provide longer trading hours for international investors and allowed the DGCX to merge into regional and international derivatives trade. The DGCX is also like a bridge that links the various time zones in the Far East and Europe.

*** What are you plans for introducing new products?**

We are continuously searching for new opportunities and initiatives, analyzing and developing of product is a continuous process inside the bourse. We are working relentlessly to meet the needs of the current and future market clients.

Recently, we launched options contract for the Indian Rupee on the DGCX. This provides some degree of flexibility for members to take precautionary measures and risk management in dealing in Indian Rupee. The launching of the options contract



for Indian Rupee led to the great success of the Indian Rupee futures contract, which witnessed higher demand last year. It is part of our corporate policy not to comment on new products that are under consideration until they are ready for the market. We shall inform the market about our new products as soon as they are ready for the market.

*** Do you think the legislations regulating the bourse had contributed to creating attractive investment environment for foreign investment?**

The DGCX is a well-organized establishment operating under the supervision of the SCA, which is a member of the International Organization of Securities Commissions (IOSCO). Therefore, the DGCX is operating a transparent and well-organized market for trading of commodities derivatives and currencies. It also operates a clearance center, in addition to a settlement insurance fund through the Dubai Commodities Clearance Corporation (DCCC), which is fully owned by the DGCX.

The DGCX is the only bourse in the region practicing settlement operation locally to help protect investors against risk by playing the role of buyer of every contract that is sold and the role of seller of every contract that is purchased, doing so in a way that ensures settlement. The clearance company, which is also fully owned by the DGCX, also ensures money remains inside the United Arab Emirates.

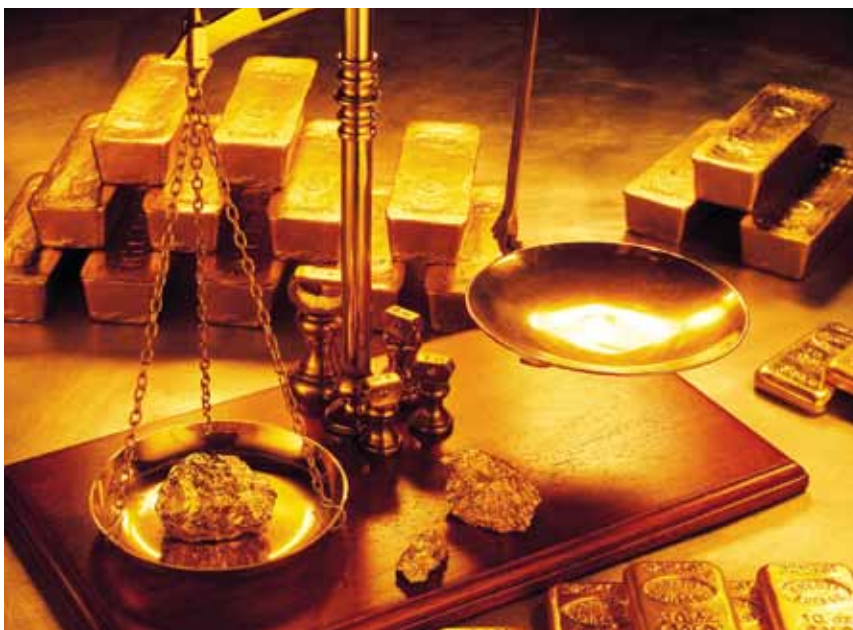
The global financial crisis that hit the world highlighted the risks and lack of transparency in the Over-the-counter (OTC) transactions, hence the significance of the role being played by the DGCX and the clearance company.

All the above components form a very attractive factor for international investors.

*** What are the basic services being offered by the DGCX to investors on the commodities markets?**

The global financial crisis has exposed the great need for transparency on the market, risk management in the derivative business and the great advantage these two factors give in trade exchange and information sharing.

This need gives a boost to future growth of the DGCX and provides for all its stakeholders a safe and transparent environment for trading of commodities and currencies. The DGCX provides the



following services:

- Access to major international economic indices of precious metals, basic metals, energy and currencies.
- The DCCC, which is fully owned by the DGCX, provides settlement guarantee and minimizes risk.
- Provides opportunity for trading and clearance services inside the UAE, thereby providing investors the opportunity to benefit from the UAE's tax-friendly system and regulatory rules.
- Provides simple fee-payment structure – one fee for all – allowing participants (commercial or non-commercial entities) to pay a common margin.
- Open up for regional and international liquidity group.
- Risk management and monitoring regulations
- Long trading hours (from 8:30 a.m. to 11:30 p.m. Dubai time).
- Licensed by the SCA.

*** What is the total volume and value of trading since DGCX inception and what are your expectations for the future in light of the increasing patronage of basic commodities?**

The DGCX has witnessed ten (10) million contracts trading since its inception, at a total value of USD476 billion. The DGCX' greatest achievement is the record trading volume of more than two million contracts trading achieved last April, the first in the history of the bourse. Trading transactions in precious metals and currencies on the

DGCX has expanded significantly in the past few months. The reason behind this positive development is the bourse's ability to provide effective tools for managing prices fluctuation and increasing liquidity to boost investor participation in the market. The volume of trade exchange reached the highest monthly level ever at total contracts of 548566 with a total value of USD27.83 billion in August 2011. The figure represents an increase of 393% compared to last year. Currencies trading also appreciated at the monthly level with 511279 contracts traded in August. This represents an appreciation of 561% compared to last year. Futures contracts for Indian Rupees continue with the outstanding growth it has been recording over the past few years. Last September it rose by 511% against the same period in 2010 to stand at 427073 contracts, the highest trading volume ever recorded in the history of that contract.

*** Can you tell us about DGCX' risk management system and its objective?**

The main aim of the risk management system is to always insure and protect the market and investors without any increase in the cost of business transaction or extra cost on members.

The DGCX has adopted the SPAN criterion which is based on margin analysis to boost risk management with the technical support from international financial technology.

The DGCX is the first market in the Middle East to adopt the SPAN, which is



Credit Rating Agencies on Downgrading Spree

Stir controversies on role in global economy

The issue of credit rating agencies (CRAs) has for a long time been stirring a lot of controversies over its operation, rules and regulations, but never has it stirred huge controversy like in 2008 when they failed to predict the looming danger which took the world by surprise and caused the global financial crisis and in this year after the downgrading the credit rating of the United States of America from (AAA) to (AA+) by the Standard and Poor's, a move which attracted vehement protest from the US Government and led to worldwide economic repercussions.

But before delving into the details of CRAs, it is better to start with the definition of credit ratings in terms of what they are and their uses. Credit ratings provide individual and institutional investors with information that assists them in determining whether issuers of debt obligations and fixed-income securities will be able to meet their obligations with respect to those securities.

A CRA is a company that assigns credit

ratings for issuers of certain types of debt obligations as well as the debt instruments themselves. In some cases, the servicers of the underlying debt are also given ratings. In most cases, the issuers of securities are companies, special purpose entities, state and local governments, non-profit organizations, or national governments issuing debt-like securities (i.e., bonds) that can be traded on a secondary market. A credit rating for an issuer takes into consideration the issuer's credit worthiness (i.e., its ability to pay back a loan), and affects the interest rate applied to the particular security being issued.

The value of such security ratings has been widely questioned after the 2007-09 financial crisis. In 2003 the U.S. Securities and Exchange Commission submitted a report to Congress detailing plans to launch an investigation into the anti-competitive practices of credit rating agencies and issues including conflicts of interest. More recently, ratings downgrades during the European sovereign debt crisis of 2010-

11 have drawn criticism from the EU and individual countries.

Uses of Credit Ratings

Credit ratings are used by investors, issuers, investment banks, broker-dealers, and governments. For investors, credit rating agencies increase the range of investment alternatives and provide independent, easy-to-use measurements of relative credit risk; this generally increases the efficiency of the market, lowering costs for both borrowers and lenders. This in turn increases the total supply of risk capital in the economy, leading to stronger growth. It also opens the capital markets to categories of borrower who might otherwise be shut out altogether: small governments, startup companies, hospitals, and universities.

There are three major users of credit ratings, including ratings used by bond issuers, government regulators and ratings used in structured finance. While bond issuers rely on credit ratings as an independent



verification of their own credit-worthiness and the resultant value of the instruments they issue, regulators use credit ratings for regulatory purposes. For example, under the Basel II agreement of the Basel Committee on Banking Supervision, banking regulators can allow banks to use credit ratings from certain approved CRAs (called “ECAIs”, or “External Credit Assessment Institutions”) when calculating their net capital reserve requirements. In the case of ratings used in structured finance, companies involved in structured financing arrangements often consult with credit rating agencies to help them determine how to structure the individual tranches so that each receives a desired credit rating.

The Power of CRAs

Credit rating agencies, particularly, The Big Three (S&P, Moody’s and Fitch), wield great power worldwide and this was manifested in the middle of this year when S&P, despite protest from the US Government, went on to downgrade the world’s largest economy’s credit rating from AAA to AA+, a move which set-off global economic meltdown. Before the S&P’s action, the US Government was issued with similar warning by Moody’s and Fitch as the political in-fighting in Washington regarding a deal to raise the US debt ceiling raged on.

Investors worldwide look to credit rating agencies to decide where invest on the market. The higher the rating of a country or market, the more attractive it is to investors and creditors. For governments, the rating agencies have a lot of power over the popularity of bonds; cash given to governments by investors that, over time, will pay a return on the original investment – unless the government defaults. The likelihood of a government defaulting on investment or on its debt settlement swiftly attracts a downgrading of its credit rating, which, in turn, attracts little investment appetite from global investors. This is what happened in the case of United States’ being downgraded from AAA to AA+ by the Standard and Poor’s and Moody’s downgrading of the credit ratings of Greece, Ireland and Portugal earlier in 2011 following Moody’s belief that the three countries have a higher likelihood to default on



Rating Codes Used by Credit Rating Agencies:

All credit rating agencies use letter designations as codes in corporate and sovereign rating, with “AAA” representing the highest credit rating, moving downward to “AA”, “A” then “BBB” and so on to the bottom of the rating ladder. The higher the credit rating of a corporation or sovereign country the lower interest rate they have to pay for borrowing and vice versa. Therefore, an individual’s credit score, along with his credit report, affects his or her ability to borrow money through financial institutions.

INTERPRETATION OF RATING CODES

S&P	Fitch	Moody’s	Meaning
AAA	Aaa	AAA	Prime
+AA	Aa1	+AA	High grade
AA	Aa2	AA	
-AA	Aa3	-AA	
+A	A1	+A	Upper medium grade
A	A2	A	
-A	A3	-A	
+BBB	Baa1	+BBB	Lower medium grade
BBB	Baa2	BBB	
-BBB	Baa3	-BBB	
+BB	Ba1	+BB	Non-investment grade
BB	Ba2	BB	
-BB	Ba3	-BB	
+B	B1	+B	Highly speculative
B	B2	B	
-B	B3	-B	
+CCC	Caa1	CCC	Substantial risks
CCC	Caa2		
-CCC	Caa3		
CC	Ca		
C			In default
D	C	DDD	
		DD	
		D	



investments. This move aroused the fears of the European Union on the high probability of Spanish and Italian economies following suit and this was what really happened few months later as the S&P downgraded the credit ratings of a number of EU members, including Spain, Italy and later France. Similarly, Moody's downgraded three US banks (Bank of America, Citigroup Inc. and Wells Fargo and Co) to intensify the economic panic in the Eurozone and the United States, in particular and the global economy, in general.

Criticism

Credit rating agencies have been subject of many criticisms, in the past and in the present. The intensity of these criticism has surged in recent time, particularly during and in the wake of the global financial crisis, which hit the world in 2008. Critics complain that the agencies have lost their ability to independently judge the risk on certain investment, especially in light of the AAA ratings given to mortgage-backed securities that imploded when defaults on US home loans shot up, triggering the global financial crisis. Critics also note that the credit rating agencies are being paid by the very entities they rate, raising questions about their trustworthiness and conflict of interest.

The downgrading method is another point of sharp criticism as credit rating agencies do not downgrade companies promptly enough.

Other criticisms include the fact that large corporate rating agencies have been criticized for having too familiar a relationship with company management, possibly opening themselves to undue influence or the vulnerability of being misled. These agencies meet frequently in person with the management of many companies, and advise on actions the company should take to maintain a certain rating. This close relationship led to accusation that CRAs engage in heavy-handed "blackmail" tactics in order to solicit business from new clients, and lowering ratings for those firms.

List of Credit Rating Agencies:

Today, as many as 150 credit rating agencies operate worldwide. But effectively, only three matter and enjoy



complete monopoly of the market in such a vital industry. The Big Three credit rating agencies are:

1. Standard & Poor's
2. Moody's Investor Service
3. Fitch Ratings

Moody's and S&P each control about 40% of the market. Third-ranked Fitch Ratings, which has about a 14% market share, sometimes is used as an alternative to one of the other majors.

But besides the above Big Three, there are other agencies worldwide that assign credit ratings for corporations. They include:

North America:

- A.M. Best (US)
- Rapid Ratings International (US)
- Weiss Ratings (US)

- Egan-Jones Rating Company (US)
- Dominion Bond Rating Service (Canada)

Latin America:

- HR Ratings de Mexico (Mexico)
- Pacific Credit Rating (Peru and other Latin American countries)

Asia:

- Japan Credit Rating Agency (Japan)
- Micuni & Co. Ltd. (Japan)
- Dagong Global Credit Rating Co. Ltd. (China)
- Chengxin International Credit Rating Co. Ltd. (China)
- Taiwan Ratings Corp. (Taiwan)
- Korea Investors Service Inc. (South Korea)
- Korea Ratings Corporation (South Korea)
- Ahbor Rating (Uzbekistan)



- Malaysian Rating Corporation Berhad (Malaysia)
- CIBIL (India).
- Capital Standards Rating (Kuwait).
- Islamic International Rating Agency (Bahrain).

Africa:

- Global Credit Rating Co. (South Africa)
- Agosto & Co. Ltd. (Nigeria)

Other regions:

- Muros Ratings (Russia's alternative rating agency)
- Credit-Rating (Ukraine)
- Baycorp Advantage (Australia)
- Capital Intelligence Ltd. (Cyprus)
- Turk KrediRating (Turkey)
- European Rating Agency (Slovakia)

Europe (European Union):

Fitch, 80% of which is owned by FIMALAC, a French firm. Is the only world-class European CRA. However, the list below outlined registered and certified credit rating agencies in Europe. The credit rating agencies listed below have been registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating

	MOODY'S	S & P	FITCH
Type	Public	Limited Liability Company	Limited Liability Company
Offices worldwide	26 countries (2011)	23 countries (2011)	51 offices worldwide
Founder	John Moody	Daryl Lethbridge	John Knowles Fitch
Place Founded	New York City (1909)	New York in 1860 (present corporation status in 1941)	New York in 1913 – Merged with London-based IBCA Ltd in 1997
Headquarters	New York City	New York City	New York City & London
Revenue	US\$2.032 billion (2010)	US\$2.6 billion (2009)	–
Employees	4,500 (full-time) approx. - as @ Dec. 31, 2010.	10,000 (approximate)	More than 2000
Website	www.moody's.com	www.standardandpoors.	www.fitchrating.com

agencies (the Credit Rating Agencies Regulation).

The list is published by ESMA in accordance with Article 18(3) of the Credit Rating Agencies Regulation.

Registered or certified CRAs, Last update: 26 August 2011:

1. Euler Hermes Rating GmbH (Germany)
2. Feri EuroRating Services AG (Germany)
3. Creditreform Rating AG (Germany)

4. PSR Rating GmbH (Germany)
5. GBB-Rating GmbH (Germany)
6. ASSEKURATA Assekuranz Rating GmbH (Germany)
7. Bulgarian Credit Rating Agency AD (Bulgaria)
8. ICAP Group SA (Greece)
9. Companhia Portuguesa de Rating (CPR) of Portugal.





SCA Celebrates 40th Anniversary of UAE National Day

To mark the 40th anniversary of the UAE National Day, the Securities and Commodities Authority (SCA) has organized in Abu Dhabi and Dubai a number of activities which was attended by SCA employees.

In a statement on the occasion, H.E. Engineer Sultan bin Saeed Al-Mansoori, Minister of Economy and SCA Board Chairman said: “As we stand here today to proudly mark this historic occasion and to review what has been achieved so far within the forty years of the existence of this union, we’d first and foremost like to arouse in the heart of all Emiratis and Arabs the memories of our founding fathers, whose hard-work and vision led to the founding and building of this great nation and to uniting our people under one umbrella. We remember today our gallant leaders who toiled to establish a modern state. We remember the generous hands of the late Sheikh Zayed bin Sultan Al-Nahyan, founder of the federal state and leader of its development and the late Sheikh Rashid bin Saeed Al-Maktoum, both great men displayed great exemplary leadership in selflessness, patriotism and progress for the sake of the nation.

Every morning we open our eyes to see the flag of UAE flying high in our heart and mind, reflecting our love, loyalty, patriotism and allegiance. We are honored by the great national achievement which brought together the seven emirates into a solid union, eternal unity and gave birth to a nation that has become a role model of development and prosperity. The UAE, over the past forty years, has become a great nation among the nations of the world, and a pacesetter among developing economies of the world by testimonies of international reports issued by international organizations. These testimonies have boosted UAE’s reputation and image at all international gatherings, having been portrayed as a model of hard work, continuous successes, tolerance and prosperity. These are the fruit of a successful union state.

Year by year, we feel prouder of our leadership, our faith grows stronger in the right path chosen by our wise leadership, led by UAE President, H.H. Sheikh Khalifa bin Zayed Al-Nahyan and UAE Vice President and Prime Minister and Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al-Maktoum, leading to the security, stability

H.E. Sultan Al-Mansoori:
UAE is in pole position
among developing
economies

and prosperity we see and enjoy today, the enviable position our nation occupies now among the comity of nations and our very significant progress in various areas of socio-economic and human development, and making the UAE a source of inspiration for countries struggling for progress and development.

The high position occupied by our nation, the high reputation it has been enjoying worldwide and the great achievements it has realized in the areas of politics, economy, science, intellect, sports and culture reflect the vision of our leadership and their wisdom in steering the affairs of the nation towards a better future. Certainly these are a great source of pride and honor for us and great assurance for better life for us and our future generations.

The UAE economy has made a giant

stride in various sectors over the past forty years of the union, making it one of the greatest in the region and a major attraction for foreign investment.

Consequently, the UAE's economy has grown 169 fold in the past four decades to become one of the most significant emerging economies of the world and an international business and economic hub serving as a gateway for providing the needs of millions of consumers in the Middle East, Asia and Africa.

The UAE has also achieved a high growth rate with its gross domestic product (GDP) rising from AED6.5 billion in 1972 to AED1.1 trillion at the end of 2010. The achievement was made as a result of UAE's adoption of prudent investment policy in the past years by activating the production sectors, giving the private sector, small and medium-scale industries a major role to play in the national economy, which consequently reflected positively on the basic structure of the national economy and helped protect the gains of the services, financial and other sectors.

The federal state has also used all its energy and capabilities to develop and uplift the nation to greater heights and to build its human resources, equipping itself with strong faith, high determination and



great vision as it looked into the future with unlimited ambition.

Our leadership has always been pacesetters, not only in the area of moral and material support for the national economy, but also in adopting strategic plans, economic legislations and laws which contributed in pushing forward the wheel of economic development, the successful implementation of development projects, providing good investment climate and building confidence in the national economy.

In conclusion, we'd like to seize the opportunity provided by this happy occasion to extend our profound greetings and congratulations to UAE President, H.H. Sheikh Khalifa bin Zayed Al-Nahyan, UAE Vice President and Prime Minister and Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al-Maktoum and Their Highnesses Supreme Council Members and Rulers of the Emirates, praying to God, the Almighty, for many happy returns of this occasion with more blessings, progress and prosperity for our dear nation and people.

Let's remember that our national days, like

this one, bring opportunity for us to renew and reiterate our allegiance, patriotism and commitment to selflessly serve our dear nation and the leader of our successful union drive.

Also commenting on the occasion, H.E. Abdullah Al-Turifi, SCA Chief Executive Officer, said: "The 40th anniversary of the UAE national day has brought back a sweet memory that is so dear to the heart and mind of every Emirati and expatriate living on this blessed land. It was on a similar day, precisely, on December 2, 1971, that the Supreme Council of the union, led by the late Sheikh Zayed bin Sultan Al-Nahyan, announced the establishment of the United Arab Emirates to make the new state the 18th member of the Arab League and the 132nd member of the United Nations, making the new state the first and only federal state in the region and role model for comprehensive development and progress.

The announcement of the federation marked the beginning of a massive development that is based on vision and indefatigable determination, which

culminated in the birth of a solid state with strong structures, a state which clearly bears in mind the experiences of the past and lives the present with all its requirements, while moving confidently into the future in parallel with modern civilization and civility.

It also marked the beginning of the realization of the aspirations and ambitions of the people, the execution of ambitious programs, comprehensive strategy and development plans which totally transformed the life and living condition of the people of this nation, paved the way for them to catch-up with the leading civilizations of the modern world and, in spite of all the massive and unprecedented economic, social, cultural and political progress, the country successfully maintained its national identity, deep root and heritage, thanks to the relentless efforts of the nation's wise leadership.

The UAE, over the years of its existence, has succeeded in making startling achievement in all areas, including diversification of its national economy, growth of non-oil sectors like agriculture,



As part of the activities marking the event, the SCA displayed congratulatory messages, photos of UAE leaders and the "Spirit of the Nation" photo on a number of giant electronic screens at various locations in Abu Dhabi and on giant balloons flying at its Dubai premise.



The SCA launched during the occasion its portal on three social network platforms – Twitter, YouTube and Facebook with the aim of enhancing interactions with its clients and investors, using them as a medium for educating investors.



industry, building and construction, electricity and water supply, as well as in the services sectors like trade and commerce, hospitality, financial institutions, social services, banking and governance, to name just a few. Furthermore, the UAE leadership has succeeded in boosting investment, being one of the main pivots of economic development, just as the country has opened its door wide for local and foreign private sectors, a move which further provided more job opportunities.

Currently, the financial market sector is witnessing rapid developments to redirect the compass of development towards progress after overcoming the biggest challenge that have ever confronted the sector. The SCA plays a pivot role in this area, aimed at building a strong and matured market and a very attractive investment climate. The financial sector continues to move on confidently towards more progress and greater development, thanks to the unstinting support it continues to receive from the nation's wise leadership, led by UAE President, H.H. Sheikh Khalifa bin Zayed Al-Nahyan and UAE Vice President and Prime Minister and Ruler of Dubai, H.H. Sheikh Mohammed bin Rashid Al-Maktoum.

The SCA and the securities markets in the country remain committed to their responsibilities and to proactive participation in the nation's economic development drive. The SCA has made

a giant stride in boosting its legislative and regulatory structures, just as it has taken all the necessary steps to strengthen its professional systems with competent cadres, notwithstanding its concerted efforts to improve the performance of its human resources and develop its national cadres in accordance with the best international standards for the best results and achievements to enable them make generous contributions to the nation's comprehensive development.

With regard to strengthening its legislative structure for regulating the work of financial markets, the securities sector has made significant achievements, as the SCA has so far issued within the period of its existence 36 regulations and resolutions which have contributed significantly in complementing the legislation framework of the local financial markets. The SCA, in collaboration with the financial markets, has also made many other achievements, notably, the elevation of the UAE markets to secondary market status by FTSE, listing of 127 companies, including 19 foreign firms, on the UAE markets and launching of the Dubai Gold and Commodities Exchange, the first and only of its kind in the region. In addition to the above, the SCA has also established at its Dubai premises a training center for training and sharpening the skills of securities brokers. It was the SCA which initiated the establishment of the Union of Arab Securities Authorities (UASA),

The SCA launched a digital media center in its portal to mark the National Day anniversary. The aim is to document all SCA events and activities and to educate interested persons about latest developments in the securities industry in audio and video. In collaboration with the "Watani" program, the SCA also organized a lecture on "National Identity" for its staff.

which chose the UAE for its headquarters. The SCA has also boosted its ties with its counterparts in various parts of the world by signing many memoranda of understanding with various regulatory authorities and securities market related bodies in a way that reflects positively on the interest of UAE markets and contributes to boosting UAE's image and reputation at the Arab and international levels.

The SCA has also licensed a number of bodies, believed to be of immense benefit to the local markets, to provide advanced financial services like financial consultancy, custodian and record-keeping services for private joint stock companies and mutual funds. The SCA's great effort was crowned with two prestigious awards having won last year the awards of the Sheikh Khalifa Government Excellence Program, including the Institutional Excellence Award at the federal level (major categories) and the Emirates Award





SCA Holds Awareness Forum on «Role of Banks in Financial Market Activities»

The Securities and Commodities Authority (SCA) has held in Abu Dhabi and Dubai awareness forum on «The Role of Banks in Financial Market Activities». The forum was part of the SCA's program to entrench investment culture among members of the financial market fraternity.

During the forum which attracted a large audience from the securities, banking and investment sectors, Mr. Ziyad Al-Dabbas, a Financial Advisor at the National Bank of Abu Dhabi (NBAD), made a presentation in which he addressed a number of important issues related to UAE national banks and the role they play in supporting stock markets in the country.

Al-Dabbas reviewed the performance of some national banks which played essential role in providing infrastructure for UAE stock markets before 2000 – i.e. in the years that preceded the establishment of regulated stock markets in Abu Dhabi and Dubai. Al-Dabbas said the banks established special department for stocks to facilitate the work of traders and other market clients, just as they also protected the rights of all parties on the markets, adding that the special department also contributed in spreading investment awareness to help investors make informed decisions based on sound trading rules and regulations.

He also highlighted the initiatives of some national banks in setting up joint mutual funds, which successfully attracted a wide range of investors of all classes, especially during the stock market boom era, adding that the mutual funds, after witnessing a sharp increase in the value of their assets, contributed in boosting the country's corporate investment. He attributed the success of those funds to the expertise of their managers, who excelled in their work.

The NBAD Financial Advisor outlined a number of reasons which contributed to the decline in UAE markets as including over-financing of investors, speculators and share subscribers on the markets during the market boom era, as well as the liquidation process embarked upon by banks during the recession period.

SCA Organizes Lecture on “The Legal Aspects of the Financial Consultancy System”

The SCA has organized in Abu Dhabi and Dubai lectures on “The Legal Aspects of the Financial Consultancy and Financial Analysis System”, a subject which is one of the major activities of the securities markets, which are under the SCA's supervision, regulation and licensing.

Dr. Moz'her Farghali, a legal advisor at the SCA, delivered the lectures during which he explained the concept of these activities and services. He outlined the definition of financial consultancy and financial analysis and their scope in international practices and in accordance with the SCA's regulation by virtue of the SCA Board Decision No. (48/R) of 2008.

Dr. Farghali underscored the need for any company that wants to practice these activities to acquire a license from the SCA. He outlined the conditions and requirements for acquiring such a license, adding that it is possible to combine these activities with other activities in the securities industry, like securities brokerage and portfolio management, but the two activities must be separated technically, administratively, financially and information-wise.

He also outlined the responsibilities of licensed financial consultancy and financial analysis companies, saying that the most important requirement is for those companies to be committed to transparency, honesty, neutrality, integrity and committed to the interest of clients and disclosure of issues that provoke suspicion of conflict of interest – like in the case of a financial consultancy company's ownership of certain percentage of shares in the company issuing securities in exchange for financial analysis.

SCA Holds Forum on Financial Derivatives

As part of its efforts to boost investment awareness among financial market investors, the SCA, in collaboration with the Genesis Review Institute (GRI), has organized in Abu Dhabi and Dubai a seminar under the theme: “Financial Derivatives”.

Portfolio managers, brokers, internal and external auditors, attended the seminar which was presented by Mohit Malhorta, GRI Director.

The seminar touched on major financial derivatives issues, including its principles and features of financial tools derived from international securities, focusing on various derivatives exchanges and the role of speculators, in addition to guiding options of futures contracts and barter.

Mr. Mohit also highlighted the basic principles and characteristics of derivatives tools generally used in international markets and the way of trading futures contracts and options. He outlined the objectives of risk management through precautionary measures, the role of speculators on the markets and explained the meaning of margins related to futures contracts credits and the characteristics of traded futures contracts. The seminar concluded with other topics, including interest rates, currency and stock exchange.



Investing in Stock... The Returns and the Risk

The booklet titled: “Investing in Stock... The Returns and the Risk”, which was issued recently by the Securities and Commodities Authority (SCA) highlights the dividend expected from investing in stocks just as it highlights the risk involved in that business.

The 20-page booklet, which is in medium size pointed out that stocks are financial assets that must be evaluated to determine their fair value to enable the investor arrive at their market value before making investment decision on them regarding the expected dividend and the risk involved. The booklet said the two factors (dividend and risk) determine the market value of investment, and that the expected dividend is the dividend used in evaluation, not the historic dividend, adding that the investor must know more about dividends and risks and relations between the two.

It pointed out that the dividend of investment in stock are in many forms, notable among them are: monetary distribution, which is the profit that companies distribute to shareholders, capital profit and bonus shares.

The booklet touched on operation and non-operation profits. It said a wise investor looks deeply into and critically at the profit of a company taking into consideration the sources and nature of the profit. If he found out that the profit came from the company's operation activities, then that is a positive indicator of the company's success, but if the profit came from secondary activities like trading in shares or from the selling of some of the company's assets, then that gives a tangible reason for casting doubt about the company's ability to make profit in the future.

The booklet outlined the achievable and the unachievable profits, saying investors should look at profit from the angles of whether it is achievable or not. It said profit which comes from company's re-evaluation of its assets can never be regarded as achieved profit because it did not emanate from real assets sale or investment transactions.

It noted that a rise in the market value of stock means an increase in the wealth of the investor who owns the stock although the increase cannot be regarded as achieved



until the investor sold the stock and actually got the difference in price. Unless that is done the profit would be regarded as unachieved nominal yield. The booklet said investors must know how to distinguish between historic return, expected return and the targeted return. It pointed out that an investor who bought a stock expects from it a return from two ways – one being the way of economic forecast, which is done by subjecting the company to critical analysis that would determine the characteristics of the company's future as a means of determining the expected figures for the profit to be distributed and the capital profit. The other way is through statistics. By the latter way the expected dividend for every stock is the average of the stock's historic return during a specific time, which is more objective and simpler than the first way. This is because it is not subject to the whims of the financial analyst but to statistical method of assessment.

In its Part (2), the booklet touched on the risk involved in investing in stocks, urging the need for investors to try to eliminate, or, at least, minimize the controllable risk factors, so as to be left with the uncontrollable risks. It said the latter are the risk investors must learn to live with whatsoever.

The booklet outlined the types of risks in stocks, saying that market risks “Systematic Risks” generally affects the market and all

companies with its impacts reaching all stocks traded on the market. It said these risks, generally, exist in all economic and political situations like economic growth factors, interest rates, inflation and foreign exchange. It said the company risks “Unsystematic Risks” is directly related to companies. In other words they are risks that stem from investment losses in stocks of a company as a result of a decline in the company's operation.

It noted that the best way to avoid risks is by diversifying investment geographically to cover more than one country and by diversifying the securities in a portfolio.

The booklet said a dividend from stocks should be expected in the future with the possibility of not achieving any dividend at all, which, in practical form, represents investment risk in the stock involved, adding that the existence of these risks does not mean investors should take that without a price. Investors must ask for reward for taking the risk and this is what is called “Risk Allowance”, the booklet explained.

The booklet concluded by listing a useful investment decision-making mechanism with four steps for its implementation. These include: financial planning, understanding the market and its surrounding economic conditions, clever choice of stocks and investment performance follow-up.





SCA Achieves Objectives of its 2011 Strategic and Operation Plans

The SCA has achieved many successes in 2011 in its drive to achieve excellence in all areas of its performance in accordance with best international practices of the capital and commodities markets. The achievements fall within the objectives set by the SCA's strategic and operation plan of 2011.

As part of its efforts to continuously improve the local financial markets, the SCA is seriously working on a number of regulations and rules to develop the legislation framework of the country's securities industry, while on the other hand, it is continuing with its awareness campaigns and programs to better serve all parties involved in the securities industry.

The SCA has issued the Delivery versus Payment (DvP) regulation and has prepared a number of new draft regulations, including the draft regulations concerning market-maker, lending and borrowing of securities, short-selling, liquidity, mutual funds, investment management, issuance of bonds and subscription rights, etc.

Supervision

In the area of supervision, the SCA has issued a special agreement form for

opening of unified account between clients and brokerage firms, prepared a number of reports on brokerage companies' standpoint on capital adequacy and on segregation of accounts.

The SCA continued with its normal and surprise inspection of brokerage companies, in addition to preparing reports on insider trading.

In 2011, the SCA conducted studies on 66 files concerning inspection results of brokerage companies, 90 cases of segregation of accounts, 19 cases referred by the Trading Monitoring Section, 79 complaint files, 71 cases of default, 53 files on violation of disclosure rules by public joint stock companies, in addition to cooperating with various judiciary bodies in securities-related cases.

The SCA has also issued penal codes for companies, presented a pardon initiative to encourage companies to not repeat any violation. The SCA has also successfully closed the Golden Gate Securities case, having settled 99.2% of concerned clients.

A suggestion has been made to set up a Complaint Committee to look into all complaints against SCA decisions. Similarly, a complaint system has been developed,

while new rules for payment of fines and fees and for licensing of brokerage firms have been introduced.

The SCA has also prepared monthly reports on defaulters of brokerage companies' clients and manipulation cases exposed by the Trading Monitoring Section. The cases have been referred to the Enforcement and Follow-up Department for the necessary action to be taken on them.

On the other hand, the SCA has prepared a proposed manual for operation managers of brokerage firms. The manual is currently under review. The SCA has also activated the securities ownership and trading disclosure form for SCA employees via the "Talaby" system on the SCA website.

The year 2011 also saw the issuance of the circular concerning a number of mechanisms, including mechanisms for payment of entitlements of clients of brokerage firms, protection for clients of brokerage companies by liquidizing bank guarantees and enforcing the necessary action on them and activating the rules for payment of fines.

The year also saw the lifting of suspension of Tamweel's stock on the financial market and resumption of trading in the company's



stocks, while the necessary steps were taken to hold the ordinary general assembly meeting of the Sharjah Group Co. to elect new board members.

Professional License for UAE Nationals

The SCA extended the deadline for professional brokers license examinations for UAE nationals interested in working in the securities brokerage sector, honored distinguished candidates who excelled in the professional brokers license exams conducted by the SCA Training Center in collaboration with the UK-based Chartered Institute for Securities and Investment (CISI).

The SCA bore the cost of the professional brokers license exams for UAE nationals in their first attempt to acquire the license to encourage them to pursue securities brokerage career and held a meeting with directors of brokerage firms to discuss the Emiratisation program and ways to expand the program to cover the securities brokerage sector. The Arab-German International Brokers LLC (AGIB) was licensed to practice margin trading in the country. The SCA prepared a draft decree to classify brokerage firms into the ranks of “Trading Member”, “Clearance Member”, and “Trading and Clearance Member”.

Procedural Services

As part of its facilitation policy, the SCA has eased and modernized its procedural services for clients, including brokerage firms, by simplifying the license renewal procedures for the year 2012, which can now be accessed online. It has also simplified the procedures for payment of monies indebted to brokerage firms whose license had been cancelled by depositing their entitlements in a bank account at the Dubai Financial Market (DFM).

The SCA has held a number of meetings with brokerage companies to discuss their situation, invited them to participate in the design and creation of a unified form for the margin trading agreement and to discuss their technical problems. The SCA has also succeeded in its efforts to get a 50 – 75% cut in the annual expenses by brokerage firms regarding their communication network lines with the markets. This was achieved without compromising the quality, efficiency and electronic security of the service.

The technical requirements of the



- Digital system for disclosure of financial statement applied for the first time in the region
- Draft law for ranking of brokerage firms in the offing
- Draft GCC unified rules for issuance of bonds and sukuk nears completion

electronic networks between the Abu Dhabi Stock Exchange (ADX) and the DFM were unified to be in line with the SCA’s strategy of excellence and creativity in customer service in the country’s financial markets and in consideration of the role of brokerage companies and other financial services companies of the securities industry in the nation’s economic system.

Legislation

In the area of legislation, the SCA issued a regulation on Delivery versus Payment (DvP) and prepared a number of rules, including unified rules on listing of stocks on GCC markets, unified rules on listing of bonds and sukuk in GCC states and unified rules on listing of mutual funds units in GCC countries. The SCA participated in preparing a draft company law, expected to be passed in 2012 and reviewed and prepared proposed amendments on eight of the numerous SCA regulations and decisions. It also prepared the legal advice for 289 topics, followed up 13 legal suits in which it is a party and two arbitration requests with one of the two cases having been settled last December.

Organization

At the organizational level, four local and one foreign public joint stock companies (PJSCs) have been registered in a step

towards listing them on the local markets.

The SCA approved the setting up of three local mutual funds and the promotion of 79 foreign mutual funds in the country. It also approved the floating of shares of three PJSCs for public subscriptions. They are: Eshraq Properties, National Takaful Company (Watania) and Dar Insurance, in addition to giving its approval for the establishment of two government companies as PJSCs which are yet to float their shares for public subscriptions.

The SCA applied the mechanism of partial payment to boost liquidity. Companies interested in converting into a public joint stock company may keep 25% of the nominal value of the shares floated for public subscription, while paying the value of the remaining shares from the subscribers within two years from the date of incorporating the company. The stocks of Eshraq Properties were floated based on this new principle. The SCA approved the setting up of two government companies as PJSCs which are yet to float their shares for public subscriptions.

The SCA coordinated with the Dubai Financial Services Authority (DFSA) to prepare a draft bye-law for special floating of shares. It also coordinated with Ajman’s Department of Economic Development to map out the procedures for converting the





Arab Heavy Industries Company to a private joint stock company.

An international securities identification number (ISIN) for securities of local PJSCs listed on the market was issued and published on the SCA website.

The SCA conducted a number of workshops, including workshops on corporate governance and institutional discipline standards, reviewed corporate governance reports issued by companies, supervised and monitored mutual funds in the country. The SCA innovated an alert system for renewal of company's registration and an instant PJSC registration renewal system and a system for supervising and monitoring of keepers of private joint stock company registers.

The SCA continued to follow-up closely the implementation of Ministerial Decree No. 518 concerning corporate governance rules by the 84 local PJSCs and the latter's publishing of their corporate governance reports. SCA records showed that 81 companies, representing 96.43% of PJSCs complied fully with the corporate governance rules by the end of October 2011, leaving the SCA's Department of Enforcement and Follow-up to take the necessary legal actions against the companies which has failed to comply fully with the rules.

The SCA prepared studies on updating the current regulations and promulgating new ones, therefore the SCA prepared 47 studies on best international practices on

**Five PJSCs,
including one
foreign company,
registered**

various financial-market related topics to use them in designing new regulations and resolutions. The SCA also conducted scientific researches in financial services, prepared, updated and uploaded on its internal website companies' financial statement rules, financial analysis reports and provided information sources from professional bodies.

The SCA implemented a number of sensitization programs for financial market clients, including investors, brokers, financial analysts and other concerned parties and educated officials of PJSCs on corporate governance and online disclosure, in addition to implementing an investment awareness program for university students.

The SCA has signed a number of memoranda of understanding with various international and local organizations, including the International Compliance Association (ICA), International Federation

of Technical Analysts (IFTA), the Emirates Institute of Banking and Financial Studies (EIBFS), Zayed University, University of Sharjah, UAE Accountants and Auditors Association (AAA), Media Free Zone Authority of Abu Dhabi, UAE University and a MoU with its counterparts in member states of the Gulf Cooperation Council (GCC).

Conferences & Forums

The SCA organized and participated in five conferences and forums, including the SCA's annual conference, which was held under the theme: "Restructuring the Regulatory System of Financial Sector", the 5th GCC Regulators' Summit, the 3rd and 4th meetings of Heads of GCC Securities Market Regulators, the 2nd meeting of Ministerial Committee of Board Chairpersons of GCC Financial Market Regulators, a working meeting on Twin Peaks regulatory model with the Netherlands Authority for Financial Markets (AFM) and a meeting with the Islamic Financial Services Board (IFSB).

Organizational and Support Services

In its efforts to sharpen the skills of its human resources, the SCA adopted and activated a mission program by sending a number of its staff on sensitization mission to Malaysia's Securities Commission and four others to the Capital Market Authority of Saudi Arabia.

A total of 159 SCA employees participated in 99 professional training programs,

spanning 7,234 training hours, while about 39 SCA employees successfully completed the eLearning training program (Global English). As part of the its deep commitment to social responsibilities towards students in the country, the SCA trained 10 students of the Higher Colleges of Technology (HCT) and the UAE University at its various department, received and trained members of Batch 5 of the “SHARE” (Supporting Human Assets for Real Emiratization). The trainees have already started their training program according to the training plan and schedule.

In its Emiratization drive, the SCA has so far achieved 60% Emiratization of its total staff, including 100% Emiratization of the leadership posts, 69% of the supervisory posts, 65% of the executive posts and 54% of the specialization posts.

The SCA has achieved a total conversion to the GP mechanization system, linking payment electronically with electronic bills to ensure proper monitoring of payments. It has also introduced an electronic system of billing for electronic exams which give better details to the SCA and its clients.

XBRL

The UAE has made another pace setting achievement at the regional level by being the pioneer in the use of XBRL in the region and in the development of both Islamic and non-Islamic taxonomies for the banking and insurance sectors that utilize taxonomy labels in both Arabic (a first worldwide) and English. The SCA has completed providing a digital infrastructure for public joint stock companies and brokers to make their disclosure by using the XBRL system, making the UAE the first in the Gulf and entire Arab region to do so.

“Talaby” System

As part of its commitment to provide the best services to its employees within the framework of its “Environment Without Paper” electronic program, the SCA introduced and started using a free-flow of administrative work system dubbed “Talaby” to execute all procedures of the human resources and financial affairs and the supervision department.

Another significant SCA electronic achievements include the development and activation of the Emirates Securities Market (ESM) Index in its new classification system

of ten sectors, developing the new live trading screen, activating the online opinion poll system and the implementation of eight internal and external opinion polls.

The SCA issued a professional magazine, “Awraq Maliya”, which deals in issues related to the securities industry. This is addition to a monthly electronic newsletter dubbed “Tatweer”, which deals in issues related to the SCA’s human resources affairs.

In collaboration with the local media, the SCA organized four investment awareness campaigns in the print media and a special TV program, dubbed “Al-Mah’faza” being telecast by the CNBC Arabia Satellite TV channel, another TV program dubbed “Al-Mu’asher” being telecast by the Sama Dubai TV channel, in addition to another investment awareness messages through a number of TV channels, including Sama Dubai, Dubai One, Dubai and Abu Dhabi satellite TV channels.

Investment Awareness

The SCA has produced a documentary film entitled: A Great Edifice for a Great Performing Entity”, which outlines the SCA’s performance and achievements during the year and another film entitled “Investment Plan” to educate investors, in addition to a number of animation films to create awareness among the various parties involved in the securities industry.

As part of its portal, the SCA launched a digital media center which contains all media items, including films, photos, newspaper cuttings, advertisements published by the SCA for archiving and research works.

The SCA has also issued a number of printed materials, including three booklets

98%
of concerned
companies
applied corporate
governance rules

for investment awareness purposes, four guidebooks and booklets on working procedures in various SCA departments, an annual report which contains all SCA achievements and ESM performance for the previous year and other printed materials.

In addition to the above, the SCA also organized in Abu Dhabi and Dubai courses for Business reporters and financial analysts. The courses were organized in collaboration with the Thomson Reuters and TwoFour 54. It also organized a course for directors and officials of its various departments on how to deal with the media.

The SCA participated in the Abu Dhabi and Sharjah international book fairs to distribute its investment awareness printed materials to visitors of the two shows and to disseminate information about the SCA’s works and achievements.

In collaboration with the Nielson International, the SCA conducted a study on the level of customer satisfaction with its services for PJSCs and brokers operating in the securities industry.

The SCA proactively participated in the 40th anniversary celebrations of the UAE national day by organizing events in both



SCA Has Issued 36 Regulations So Far

Since its establishment in 2000, the Securities and Commodities Authority (SCA) has issued 36 regulations, decree and circulars as part of its concerted efforts for sustainable improvement of the performance of financial markets in the UAE to be abreast with the latest laws regulating the international financial markets.

The regulations and decree already passed and those in the offing seek to add some in-depth to the local markets and to regulate their activities in a way that will serve the

interest of all parties involved.

At the beginning of the year (2011) the SCA decided to present two draft regulations – Draft regulation concerning mutual funds and draft regulation concerning investment management – for discussions by all concerned parties before their final approval, a move which reflects the SCA's deep commitment and concerted efforts to further develop the markets and their operation, by supplying them with more investment products to uplift them to the class of the

elite markets of the world.

Some of the draft regulations the SCA listed recently on its website are: draft regulations concerning market-maker, lending and borrowing of securities, short-selling and liquidity. The SCA has geared itself for passing the regulations as soon as the necessary deliberations on them were completed by all concerned parties of the securities industry, in a way that will safeguard the needs and interest of all and boost the markets in the end.

Legislations issued by the SCA

	Regulations/ Decrees	Aim	Target
1	Cabinet Decree No. (11) of 2000 concerning regulation of market licensing and supervision.	The Decree aims at regulating the establishment and licensing of securities and commodities markets in the UAE. It outlines the rules and procedures of licensing the markets and the body in charge of regulating and supervising those markets.	UAE Financial Markets
2	Cabinet Decree No. (12) of 2000 concerning regulation for listing of securities and commodities.	The Decree aims at regulating the listing of securities on SCA-licensed markets, the essence of the license, listing rules and procedures, the responsibilities of companies and bodies whose securities are listed on the markets, restrictions on trading of listed securities and cases which can lead to suspension or cancellation of listing of securities.	PJSCs Financial Markets
3	Cabinet Decree No. (13) of 2000 concerning regulation for the functioning of the Securities & Commodities Authority.	The Decree aims at regulating the SCA internally. It outlines the definition of SCA, its objectives and prerogatives, its administrative structure, its board's operation mechanism and the board's committees, the organs of SCA administrative system and the prerogatives of each of them, the SCA's finances, including its budget and revenues.	SCA
4	SCA Board Decree No (1) of 2000 concerning regulation for brokers	The Decree aims at regulating securities and commodities brokerage activities, rules and conditions for licensing brokerage companies, brokers' rights, including commission, rules for broker's trading in securities in its name and account. It also outlines brokers' obligations and restrictions, rules for opening of broker's branch office, merger of brokerage firms, procedures for conducting inspection on brokerage firms and outlines SCA penalties on any violating brokerage firm.	SCA Financial Markets Brokerage Firms
5	SCA Board Decree No. (2/r) of 2000 concerning regulations for membership of the market	The Decree aims at regulating market membership and members' responsibilities, inspection of members, losing of membership, forming of general assembly of members of a market.	SCA-Licensed markets Licensed Brokers Listed PJSCs
6	SCA Board Decree No. (3) of 2000 concerning regulation for disclosure and transparency	The Decree aims at regulating the required transparency cases and procedures regarding the SCA or the markets or listed firms or investors (individual or corporate). It also aims at regulating past and future disclosures of listed securities and the penalties against violators.	SCA Financial Markets Listed firms Investors
7	SCA Board Decree No. (1) of 2001 concerning regulation for arbitration of disputes arising from trading of securities and commodities	The Decree aims at regulating arbitration mechanism for securities-related disputes as an optional system of dispute settlement in a rapid and professional way. The decision arranges the arbitration procedures beginning from filing of complaint to passing of judgment, appeal and payable dues.	Investors Companies operating in the securities industry



Legislations issued by the SCA

	Regulations/ Decrees	Aim	Target
8	SCA Board Decree No. (2) of 2001 concerning regulation for trading, clearing, settlement, transfer of ownership and custody of securities	The Decree aims at regulating the sale/purchase transactions of listed securities on the markets. It outlines the rules governing those transactions and exemptions, the limit of daily movement of price, clearance, settlement, securities ownership transfer, securities custody, etc.	Financial Markets Brokers Investors
9	SCA Board Decree No. (3/r) of 2001 concerning regulation for the functioning of the market	The Decree aims at regulating the mechanism for the functioning of SCA-licensed markets, including the setting up and licensing of the market. It outlines the prerogatives of the market's board, its technical, administrative and financial organs. It also outlines the market's membership and its general assembly, the brokers on the market, listing and trading of securities on the market.	Financial Markets Brokerage firms
10	SCA Board Decree No. (7/r) of 2002 concerning regulation for listing of foreign companies	The Decree aims at regulating the listing of foreign securities on local markets, the rules for that and application for listing of the securities.	Foreign companies and bodies interested in listing its securities on UAE local markets
11	SCA Board Decree No. (70/r) of 2003 concerning regulation for opening of trading floors	It regulates the opening of trading floor at a place outside the emirate where the market is located and outlines the rules and procedure for doing so.	Financial markets
12	SCA Board Decree No. (93/r) of 2005 concerning regulation for listing of Islamic bonds (Sukuk)	The Decree aims at regulating the procedures and rules of listing of and subscription for Islamic Sukuk and outlines the responsibilities of the local and foreign bodies issuing the Sukuk.	Exporter of the Sukuk Financial markets Brokers
13	SCA Board Decree No. (94/r) of 2005 concerning regulation for listing of debt securities	The Decree aims at regulating the procedures and rules of listing of and subscription for debt bonds and the responsibilities of the bodies issuing the debentures and new issuances.	The body(s) interested in listing debt securities Financial markets Brokers
14	SCA Board Decree No. (157/r) of 2005 concerning regulation for listing and trading of commodities and commodities contracts	The Decree aims at regulating the commodities market, the establishment, licensing, supervising and inspecting of the market to ensure strict application of the law. It explains the prerogatives of the market's board and its technical organs, regulates the affairs of commodities' brokers, outlines the rules of listing commodities and commodities contracts on the market and penalties for violators	Commodities market Brokers Investors
15	SCA Board Decree No. (66/r) of 2007 concerning regulation for rules & mechanism for separation of accounts at brokerage firms	The Decree aims at ensuring that brokers separate their accounts from the accounts of their clients. It outlines the rules for that procedure.	Brokers
16	SCA Board Decree No. (67/r) of 2007 concerning regulation for online trading	The Decree aims at regulating online trading service by brokers. It outlines the rules for that procedure.	Brokers interested in offering that service
17	SCA Board Decree No. (25/r) of 2008 concerning regulation for margin trading	The Decree aims at regulating margin trading, outlining the rules for acquiring license for that activity by brokers interested in practicing that activity. It also outlines the company's responsibilities, penalties and rewards.	Brokers interested in offering that service



Legislations issued by the SCA

	Regulations/ Decrees	Aim	Target
18	SCA Board Decree No. (43/r) of 2008 concerning regulation for dual listing	The Decree aims at regulating the listing of securities of companies operating in the free zones and those operating inside the country. It outlines the procedures for registering them.	PJSCs listed in the UAE PJSCs listed in the Free Zones
19	SCA Board Decree No. (48/r) of 2008 concerning regulation for financial consultancy & financial analysis	The Decree aims at regulating the rules and procedures of licensing companies to practice financial consultancy and financial analysis activities. It outlines the rules for financial analysts, their responsibilities and penalties against violators.	Companies interested in acquiring financial consultancy and financial analysis license
20	SCA Board Decree No. (29/r) of 2009 concerning regulation for securities custody activities	The Decree aims at regulating securities custody activities. It outlines the rules and procedures for acquiring license to practice the activity, the duties and responsibilities of a custodian, the monitoring of a custodian and penalties against violators	Companies interested in practicing custodian activities
21	SCA Board Decree No. (33/r) of 2009 concerning regulation for the activities of keeper of private joint stock companies' register	The Decree aims at regulating the activities of record keeper of private joint stock companies. It outlines steps for regulating the handling of records of private joint stock companies and rules for practicing that activity.	Companies interested in practicing the activities of private joint stock companies
22	SCA Board Chairman Decree No. (12/r) of 2010 concerning the criteria for capital adequacy of brokerage firms in securities and commodities contracts	The Decree outlines the criteria for capital adequacy of brokerage companies according to certain principles outlined in the accompanying guidebook. It also outlines the rules and procedures for practicing that activity.	Brokerage companies
23	SCA Board Chairman Decree No. (17/r) of 2010 concerning regulation for anti-money laundering and anti-terror finance procedures	The Decree was issued to combat money laundering and terror finance on the financial markets. It outlines the procedures for combating that malpractice. The responsibilities of all markets, institutions and companies under SCA supervision in this regard.	All parties involved in financial markets
24	SCA Board Decree No. (17) of 2011 concerning regulation for settlement on the basis of Delivery Versus Payment (DVP)	The Decree aims at regulating settlement of trading by clients of custodians in simultaneous exchange of securities being purchased with the cash payment for the securities.	Custodian Financial markets Brokers



Legislations issued by the SCA

	Regulations/ Decrees	Aim	Target
1	SCA Board Decree No. (18) of 2002 concerning dues payable to the SCA in implementation of the provisions of Federal Law No. (4) of 2000	It outlines the dues payable to the SCA by brokerage firms, the fees for listing new companies and listing renewal fees.	Brokers Listed companies Financial markets
2	SCA Board Chairman Decree No. (113/r) of 2006 concerning requirements & regulatory rules for applying Article (168) of the Commercial Companies Law, amended by virtue of Federal Law No. (18) of 2006 Concerning a company's buy-back of its own shares	It provides details for rules of Article 168 of the Commercial Companies Law, regarding companies interested in buying-back their shares.	PJSCs interested in buying-back their own shares
3	SCA Board Chairman Decree No. (197/r) of 2006 concerning the dues on debentures & Islamic Sukuk for 2006	It outlines the commissions and fees payable for listing and trading in debentures and Islamic Sukuk.	The body listed for debentures and Islamic Sukuk
4	Technical rules and requirements for telephone recording system in brokerage companies	It outlines technical rules for brokers' recording of telephone calls by clients ordering the sale or purchase of securities. Brokerage companies must report to the SCA immediately whenever there is any sudden breakdown of the telephone recording system.	Brokerage firms
5	Decree No. (158) of 2005 concerning dues payable to the SCA by the Dubai Gold and Commodities Exchange (DGCX).	It outlines the commissions and fees payable for trading on the DGCX. This include dues payable to the SCA by the DGCX and by the brokers, as well as the commission to be collected for trading on the DGCX.	SCA DGCX Brokers
6	Ministerial Decree No. (728) of 2008 concerning procedures for securities book-building	The Decree aims at regulating the stages and steps to be followed in deciding the price of a security when issuing it in the middle of the year, application procedures and fair pricing of securities.	Federal and local governments Institutions operating in the UAE PJSCs under incorporation
7	Ministerial Decree No. (70) of 2009 concerning committees set-up to evaluate real shares of joint stock companies and their operation mechanism	The Decree aims at regulating the setting up of committees for evaluating stakes in joint stock companies under incorporation or merged companies, or in company's capital increase in the form of stakes to arrive at the right value of the stakes.	Joint stock companies
8	SCA Board Chairman Decree No. (14/r) of 2009 concerning fees for listing and trading of Exchange Traded Funds (ETFs)	It outlines fees for listing and trading in ETFs for the SCA, the broker, the market and the clearance.	SCA Financial markets Brokers
9	Ministerial Decree No. (370) of 2009 concerning the stock register of private joint stock companies.	The Decree aims at regulating records for recording the stocks of private joint stock companies and the transfer of its ownership, as there should be no ownership transfer of founders' shares until after the ministry has received the company's financial statement.	Private Joint Stock Companies Registrar
10	Ministerial Decree No. (518) of 2009 concerning corporate governance and institutional discipline standards	It aims at enforcing the rules of corporate governance by putting in place an effective legal framework for corporate governance, regulating the forming of a board and the responsibilities of the executives of public joint stock companies and their affiliated committees, internal supervision of the company's operation, monitoring for conflicts of interest, protection of investors' rights. It outlines the rules for the company's auditor and penalties for violators.	Boards of public joint stock companies shareholders
11	Ministerial/SCA Board Chairman Decree No. (27/r) of 2010 concerning fees due the SCA in implementation of Decree No. (48/r) of 2008 pertaining to financial consultation & financial analysis	It outlines the dues payable for licensing of financial consultancy and financial analysis companies and for licensing of financial analysts.	Financial consultancy and financial analysis companies
12	Ministerial Decree No. (206) of 2010 concerning allocation of securities to subscribers and proceeds generated from subscriptions	The Decree aims at regulating the allocation of securities for subscribers, the calculation of proceeds of the subscriptions, distribution of securities whenever the subscriptions increases. It also outlines how to return the excess amount paid in the case of oversubscription.	Joint stock companies Investors



Distribution of Dividend Via the Markets Saves Time

The new method of entrusting local market administration with the responsibility of handling the distribution of cash dividend to shareholders instead of the traditional method in use in the past years has been a great success, according to many financial experts and shareholders.

Shareholders covered by this report said the new method has saved them time and efforts in getting their entitlements from dividend distributed by companies at the end of year, adding that it has also shortened the hitherto long routine procedures.

Having fully prepared for the new responsibility, the Abu Dhabi Stock Exchange (ADX) and the Dubai Financial Market (DFM) took over from companies, since the beginning of the year, the distribution of cash dividend to shareholders, to make such an operation the first of its kind in the Gulf region.

The move was in line with a decree issued by the SCA in 2010 which set the beginning of 2011 as the date for all shareholders to start receiving cash dividend directly from the market on which their company is listed, in a move aimed at averting the mistakes which hitherto used to occur often, leading to delay in shareholders receiving their dividend on time. According to the SCA Decree, the market shall open a special account for profit of its listed companies, whereby the latter will transfer the dividend of its shareholders within a stipulated time, while the market, in turn, distribute the dividend directly to the shareholders by transferring the share of every individual directly to his/her bank account.

Commenting on the issue, Ameen Kanaan, General manager of Aljazeera Financial Services, said the decision to put the markets directly in charge of distributing dividend "is a good one and a step in the right direction". He pointed out that the new move will help shareholders receive their entitlements quickly and on time to enable them use their money by reinvesting them on the market or meeting other demands and obligations, adding that the old method was time consuming and was not, by any means, in the interest of investors.

"The new method of distributing dividend has shortened the routine procedures hitherto



in use by companies during the period of distribution of dividend and conforms to the best international practices in good services for investors," he said.

Also commenting on the new development, Saeed Hamdan, an investor, said he had observed a big difference between the old and the new systems of dividend distribution, adding that with the new system he can now receive his entitlements quickly without any unnecessary delay as it used to happen in the past. He said the matter was made worse sometimes by postal problems which delays further the receipt of the payment or, in some few cases, may never come at all due to mistake in the address.

As part of its preparation to implement the new system, the ADX, which has started distributing dividend to shareholders, urged all investors, at the end of last year, to contact the nearest ADX branch to update their data and provide the ADX with their bank account numbers to facilitate smooth transfer of dividend into their bank accounts. The call received positive response from investors who quickly update their data and provided their bank account numbers.

The DFM also took similar step, beginning from Last April, by providing dividend distribution service to shareholders through the use of the innovative iVESTOR Card, which enables DFM to credit cash dividends directly into the card balance in a flexible and speedy manner.

Commenting on the issue, Abdul Hadi Al-Sa'adi, Chief Executive of Al-Ramz Securities said the decree is part of a series

of procedures aimed boosting transparency on the financial markets and at unifying procedures to ensure a better environment for traders and shareholders of PJSCs. "This will undoubtedly improve the confidence of clients in the UAE capital markets," he said, but he was quick to add that the main reasons behind the market's performance lie mainly in the issue of liquidity and the performance of financial firms in light of the current geopolitical situation, in addition to the influence of international factors in Europe and the United States on the level of trust and general situation.

Also commenting on the issue, Hossam Al-Hussaini, Member of International Federation of Technical Analysts (IFTA), said shareholders agree with any new measures that would facilitate for them receipt of their profit. "We have seen this on the Dubai Financial market following the issuance of the iVester Card, which prompted a positive reaction although that will not have any significant impact on the markets as they are big and active markets," he said. "In spite of that they are positive events for investors because they will cut down the period or improve market performance efficiency," he added.

Ziyad Dabbas, An advisor at the National Bank of Abu Dhabi (NBAD) Securities, said the most important in this issue is to expedite the distribution of dividend because majority of shareholders' dividend are locked up in the banks so this is very important and a quick solution for them to receive their dividend.

Diversified Investment Tools Minimizes Financial Market Risks

The Securities and Commodities Authority (SCA) continues to strive to give investors more options by providing them new investment tools which would help give in-depth to the financial markets, equipping the latter with the necessary immunity to face the unnecessary fluctuations in their indices.

Since its inception, the SCA has done very well in developing its services and investment tools, as investment on the markets is no more limited to stocks but has expanded to include other tools like bonds, sukuk and other tools which provides immense benefits for investors, while creating at the same time other investment channels that operates institutionally but providing opportunity for individuals to invest through them with high prospect for good profit from their investment.

The SCA intensified its awareness campaigns to improve investment conduct and boost investment culture. This is in addition to issuing many regulations and instructions that aim at increasing the market's in-depth by generating new investment tools that add value to the markets or by applying investment models and tools like margin trading, Exchange Traded Funds (ETFs), the listing of Islamic sukuk, debentures, trading in commodities and commodities contracts, online trading, custodian and Delivery versus Payment (DvP) systems, etc.

Experts said for the past ten years of its existence, the SCA has succeeded, to great extent, in diversifying investment tools and services it provides for investors, making things easy for both individual and corporate investors. They added

that the SCA continues to make strides in the path of developing the country's securities industry, introducing every year new services on the markets to reflect its great commitment to boost the operation of the markets and to overcome any difficulty that could hinder their development.

They said the floating of regulation concerning investment and investment management for deliberation is a positive step towards the development of investment tools on the market.

They conceded that most Arab markets have limited investment tools which are only limited to stocks, while others have stock and bond markets, adding that they have started witnessing in some Arab markets lately the establishment of mutual funds as one of the investment tools that serve various categories of investors.

Commenting on the issue, Abdullah Al-Hossani, Director of Emirates NBD Securities, said: "Just as the UAE succeeded in reaching

the level of the elite countries of the world by developing its legislations and laws, so did the UAE financial markets during the past ten years succeed in reaching a high level of transparency and in gaining the ability to compete well to take an enviable place on the list of emerging markets, thanks to the UAE markets' ability to develop their regulations, legislations and to increase their outputs."

Dr. Hamman Al-Shamma, Economics Advisor at the Al-Fajr Securities, said: "The increasing and diversifying of investment tools has boosted the markets' in-depth which became shallow due to the receding of liquidity and low trading value. Therefore, if the tools increase it will add some in-depth to the market and increase the sale-purchase transactions to improve trading value and the markets' performance."

He pointed out that the SCA, the Abu Dhabi Stock Exchange (ADX) and the Dubai Financial Market (DFM) are exerting great efforts in the area of

diversification of investment tools. He said the SCA is preparing to issue a number of regulations, including regulations for margin trading, short-selling, market-maker and other foreign tools.

For his part, Wael Abu-Mohaisen, Director of Operations at the Al-Ansari Financial Services, said diversifying of investment tools is a major factor on the market, because doing so would give greater in-depth to the markets and would open the door wider for foreign and national investors to trade on the markets, adding that doing so will increase trading volume and diversity.

Jamal Abdul Razzaq Ujaaj, Trading Manager of the Al-Sharhan Stock Center, said diversifying of tools in emerging markets like the UAE attracts more investors, particularly foreign investors, who have good experienced and bigger portfolios. "But we must have in place laws that streamline and clarify these tools for local investors," he said.



Steps for Conversion of Company into PJSC by Nominal Value of Shares

A company converting to public joint stock company status must have, at least, ten (10) founders, who should be natural persons or corporate entities, according to the new Commercial Companies Law. The law also put the minimum capital, in that regard, to AED10 million. It calls for common purpose and specialization and that any company converting to the PJSC status must have being in existence and practice for, at least, a minimum period of two fiscal years.

The ordinary general assembly of the company, should have to make the decision to convert to the PJSC status by a majority vote of three-quarters. The company should have achieved a net profit that is distributable to shareholders. The profit should not be less than 10% of the capital, in the average, within the two fiscal years preceding the conversion, the law states, demanding that the nominal value of the issued shares should have been fully paid in the new company and the stakes of shareholders should be within the range of 20% to 45% of the company's total capital.

Conversion Procedures:

Seeking initial approval for converting the company to a joint stock company starts with writing to the SCA using the application form (1-1B-), attached with the profile of each of the founders, who should own nothing less than 5% of the company's capital, a copy of the audited accounts of the company covering the last two years, a copy of the company's trade license and a copy of the company's current incorporation contract.

This procedure takes 10 working days to complete at the SCA.

In case the SCA approved the application, the following documents must be presented to the SCA and the concerned authority. The documents are: Minutes of the ordinary general assembly which approved the conversion of the company into a public joint stock company, a copy of the draft of the incorporation contract after the conversion, a draft of the company's charter, economic feasibility studies of the company and the timetable for executing the plan of action prepared by an approved expert other than the company's external auditor, taking



into consideration the guidelines outlined in the (4-1B-) form, an assessment report of the company prepared by an approved expert other than the company's external auditor, public subscription bulletin approved by the founders committee, draft of the subscription announcement, CDs containing a draft of the incorporation contract and the company's charter, economic feasibility studies of the company, assessment report of the company, a draft of the subscription announcement, estimate statement of the issuance expenses endorsed by the auditor and the incorporation committee.

Other documents to be presented are: approvals and licenses the company got from the concerned bodies in the country to practice its activities – like from the Central Bank, for banks, finance and financial investment companies and from the UAE Insurance Authority for insurance companies.

Every board member must present a written declaration stating the names of companies in which he occupies a post of chairman, vice chairman, board member or managing director and the date he occupies that post. The founders committee must also present a written declaration confirming that none of the board members has ever been convicted of any crime that taints his/her honor and honesty nor has any of them been declared bankrupt by a competent court of law, using the (8-1B-) form. They should

also present a proof that a licensed issuance manager has been appointed attaching a copy in Arabic of the a contract agreement signed with him (the issuance manager) outlining his responsibilities and rights.

The following fees must also be paid to the SCA. They are: An amount of AED2000 as application review fee, an amount of AED5000 as incorporation contract and company's charter review fee and an amount of AED5000 as stakes evaluation fee.

This procedure takes 10 working days to complete at the SCA.

The founders committee shall have to announce to creditors about its conversion decision and their right to contest against the decision from the date of publishing the announcement.

The SCA will then set up a committee to evaluate the company's assets in accordance with the Commercial Companies Law.

This procedure takes 30 working days to complete at the SCA.

The SCA will meet with concerned authority to study the conversion application and all the attached documents. This procedure takes 5 working days to complete at the SCA.

If approval is given to the company's application the concerned local authority shall issue a decree approving the setting up of the new company. The decree shall be published in an official gazette on the

expenses of the company's founders.

The founders shall then have to start subscribing for their shares in the company within 15 days from the date of issue of the local authority's decree approving the formation of the company. They must submit to the SCA and the concerned authority a certificate from the Central Bank proving the payment of the value of their stakes before the general subscription of the company's shares is opened to the general public.

The partners in local family company wishing to convert into public joint stock company have the right to maintain 70% of the company's capital by floating a minimum of 30% for public subscriptions.

The founders shall have to present an undertaking to deposit all revenues from the subscription of the company's shares into the account of the new joint stock company under incorporation and to return to subscribers the excess amount accrued from the oversubscription of the company's shares and the returns accumulated from that within a period of 15 days from the date of closing the subscriptions.

After getting the SCA's approval to announce the floating of the shares for general subscriptions, the announcement should be published in two local Arabic dailies five days, at least, before the beginning the public subscription.

This procedure takes five (5) working days to complete at the SCA.

The subscription door must remain open for a minimum of 10 days and a maximum of 90 days. The period may be extended for another maximum period of 30 days if the subscription failed to cover all the floated shares during the first period. But the extension of the period shall be made only after approval by the SCA and the concerned authority.

If the subscriptions exceeded the number of floated shares, the shares must be distributed to subscribers based on the percentages of their subscriptions. The amount accrued from the oversubscription must be returned to subscribers within a period of 15 days from the date of closing the subscriptions.

The company shall have to announce the details of the general assembly incorporation charter through the notice of allocation posted to all subscribers. After allocation of shares is completed, the company shall send the shareholders record to the securities

market where the new company's stocks are to be listed.

After getting the SCA approval to hold a founding general assembly meeting, the company must also place announcement inviting the successful subscribers to attend such a meeting to be held within a period of one month from the date of closure of subscriptions. If a quorum is not formed during the first meeting, the general assembly shall be held the next day. If a quorum is not formed during the second meeting, the general assembly meeting shall be held the next day once again. The founders must

inform the concerned local authority about the founding general assembly meeting. In the event of extending the period of subscriptions the date of holding the founding general assembly meeting shall be amended and in case the subscription is not fully covered after the extension of the period the founders shall have two options – either to abandon the establishment of the company or to reduce the capital on condition the minister approves the capital reduction by issuing a decree to that effect following approval of that by the concerned authority. The founders can also subscribe

Documents to be Attached

SCA's Company Listing Form plus the application fees, the company's incorporation contract and charter (including all amendments in accordance with the Commercial Company's Law), a copy of the company registration certificate by the SCA, a report from the company's board to include: a summary of the company's incorporation, major objectives and relations with other companies – mother company, subsidiary, sister or allied company (if any).

The report must also include the securities the company had issued earlier and those the company wants to list, names of all board members, the executive directors and the securities owned by each of them and their first degree relatives and the securities issued to them by the mother company, subsidiary, sister or allied company (if any), as well as the membership of any of them in the board of other PJSCs.

It must also include a list of holders of the securities who owned them together with their under-aged children or other bodies with whom they jointly, together with the main or branch company, own about 5% of the company's securities, outlining the significant events the company encountered since its establishment to the date of applying for the listing.

The report must also include the board's evaluation, supported by figures on the company's performance and achievements compared to the laid down plan, a letter stating that the shareholders' rights – for each of the share categories issued by the company – are equal or otherwise.

The company's financial statements must also be included in the report. The financial statement must contain the following: the company's annual reports for the two years preceding the listing application, supported by a report from the company's board and another from its auditors and a provisional financial statement covering the period that begins from the end of the fiscal year preceding the date of presenting the listing application to the end of the 4th quarter preceding the date of the application. The provisional financial statement must be endorsed by the company's auditor.

The application must also be attached with the minutes of the general assembly meetings of the two fiscal years preceding the date of submitting the listing application, an undertaking for publishing the provisional and annual financial statement and reports of the company's board and auditors in daily newspapers before allowing the trading of the company's stocks on the market.

If any of the above-mentioned documents is not available, the SCA must be notified through an official letter, clearly stating the reasons behind that.

Application fee for SCA registration and listing is AED2000, payable during the submission of application.

Registration Certificate:

After the issuance of decree for approval of the company's listing, both the company and the market will be notified about the decision through an official letter, a registration certificate will also be issued to the company and the SCA will also write to the company stating the items to be published in the disclosure that precedes the listing.

This procedure takes 10 working days to complete at the SCA.

The company will then coordinate with the financial market to complete the procedures.



the left-over shares after getting the approval of the minister and the concerned authority.

Founding General Assembly

The agenda of the founding general assembly must have the following:

1. Founders Committee report about the incorporation of the company. The report should include disclosure of all important events during the incorporation period.
2. Disclosure of details and expenses of the company's incorporation.
3. Election of members of the company's first board and appointment of its auditors.
4. Endorsement of the evaluation of stakes
5. Approval of the appointment of the Sharia regulatory board for companies operating under the Sharia Law.
6. Declaration of the incorporation of the company.

The founders shall, within seven days from the date of holding the founding general assembly meeting, present to the SCA an application for announcing the incorporation of the company. The application shall be attached with the following:

- Incorporation contract and charter authenticated by the notary public.
- Certificate from the auditor, attached with the Deposit Certificate proving the completion of subscription of the capital, the shares value paid by subscribers, list of names and nationalities of subscribers and the number of shares subscribed by each of them.
- Minutes of the founding general assembly meeting.
- Electronic copy of the final document of the subscription announcement.
- SCA registration certificate for the public joint stock company, attached with all the documents requested in application form (15-1B-).
- Payment of all SCA dues for company registration (via eDirhams). They include: AED1000 for issuance of ministerial decree for incorporation of the company, AED20,000 for issuing of official documents and AED10,000 for registration of a joint stock company.

Within five working days from the date of submitting the application, the minister shall issue a decree announcing the incorporation of the company. The decree, attached with the company's incorporation contract and charter, is then published in the official gazette on the company's expense.



This procedure takes five working days to complete at the SCA.

The company must submit to the SCA an audited opening financial statement, an auditor's report (with details regarding the company's incorporation date, date of issuance of the ministerial decree, etc).

Within five days from the date of announcing the incorporation of the company, the company's board shall take the necessary steps to announce its establishment, register the company in the commercial register and publish the ministerial decree in the official gazette, attached with attached with the company's incorporation contract and charter, furnishing the SCA with the company's trade license and the receipt proving that the ministerial decree has been published in the official gazette.

The SCA then issues a registration certificate to the company after ensuring that the latter has met all the necessary requirements.

This procedure takes three working days to complete at the SCA.

Completing the Procedures:

All public joint stock companies (PJSCs) established in the country must apply to list on a licensed financial market in the country. This starts with acquiring SCA license, then applying to list on one of the financial markets in the UAE.

The conditions for listing securities of a newly established PJSC in the country on the market are based on the following grades. The name of the listed company must have the label of its grade in all circumstances.

Grade One: Companies listed under this grade must meet the following requirements:

1. Must be SCA-registered company.
2. Must be two years old, at least, and must have issued two financial statements audited by an auditor that is registered in the list of auditors permitted to audit joint stock companies.
3. Must have a minimum paid capital of AED25 million or 35% of the subscribed capital, with preference for the higher of the two options.
4. Must have equal rights for shareholders for each of the categories of the shares issued by the company.
5. The rights of the company's shareholders must not be less than the paid capital at the time of submitting the listing application.
6. Must have a proof that the company has held an ordinary general assembly, at least, once in a year.
7. Must undertake to publish its financial statement and outcome of its operation in a daily newspaper before its stocks go for trading in the market.
8. Any other condition set by the SCA board from time to time.

Grade Two:

- A company is registered in this grade when it failed to meet one or more of the rules in the Grade One rules, or other rules set by the SCA board from time to time.

- The company is moved from Grade Two to Grade One as soon as it met all the latter grade's rules. Similarly, a Grade One company that flouts any of the Grade One rules is quickly downgraded to Grade Two.

- The Board has the right to downgrade a Grade One company to Grade Two when the company failed to respect or flouted the standing disclosure and transparency rules.

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Demutualization of Securities Exchanges Discourages Monopoly and Spurs Growth

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Demutualization of securities exchanges has contributed to weakening exchange members' monopoly in the system and spurred growth of exchanges geographically and through expansion in goods and services being provided by the bourses, a study has shown.

The study, which was conducted by Dr. Mohammed Abdo Mohammed Mustapha, Professor of Finance & Head of the Accountancy and Finance Section College of Business Administration, Al-Ain University of Science and Technology, states that demutualization of exchanges has induced competition in providing liquidity, disclosure of prices in a transparent and fair manner to clients on the markets unlike the conventional exchange system in which exchange members monopolize the market to achieve greater profit in uncompetitive way.

The study, titled: "Demutualization of Securities Exchanges, why?" pointed out that securities markets play a very important role in modern economies by contributing immensely in the generation of wealth and utilizing the latter in better investment areas, making it an integral part of the financial system of every country's economy. This is because securities markets have impact on various segments of the society, including investors, listed companies, brokers and traders of securities, legislators and regulators of securities markets.

It says there are two types of securities markets. One being Primary Market, where initial offering of stocks and bonds takes place and the other being Secondary Market, where securities are being subsequently traded. The latter, which is called Securities Exchange, has two important functions, which include



providing liquidity for clients on the market and generating fair prices by rapidly and transparently disclosing prices to all concerned parties through a manual or electronic trading system. In addition to that, securities exchanges also provide other services, notably, starting up and ending trading days, providing services related to data on trading, clearance and settlement, setting up market index and supervision to ensure safe and sound transactions on the markets.

Historically, securities exchanges started in capitalist countries in a form of

installations owned and managed by its members, including securities brokers, with each member given a seat (which mandates him/her to trade) and equal vote in all matters related to the running of the securities exchange. But since the beginning of the nineties of the last century, the bourses began to witness a new phenomenon in the form of demutualization of securities exchanges, for a number of economic, legal and technological reasons, leading to fundamental changes in the organizational, operational and supervisory aspects of securities exchanges, which



consequently impacted on the performance and supervision of the markets, it explains.

Organizational Shape Before Demutualization

The study shows that stock exchanges were first organized in capitalist countries as a place where sellers and buyers of stocks meet to do business. This meeting place was then being owned and managed by the bourse' members who are the brokers. These members enjoy equal ownership privileges and mutual form with each member given a seat (which mandates him/her to trade) and equal vote in all matters related to the running of the securities exchange.

According to a study many factors contributed to the bourses' initial form in the past. These factors include:

1. History related factors – as public joint stock companies emerged only in the 20th century. Furthermore, major bourses actually started operation before their incorporation. For example; the New York Stock Exchange actually started operating in 1792 although it was officially incorporated in 1817.

2. Homogeneity of Interest – which is translated into equal rights for all members in ownership, running and trading on the bourse.

3. Relationship investment – This is what makes all members of the bourse owners and managers of the stock exchange, while providing them opportunity to protect their interest and investment in the bourse and companies trading their stocks on the stock exchange.

4. The conventional shape of the bourse gives the latter's members' monopoly power, which yields for them dividends that are greater than the actual profit margin in the Bid-Ask Spreads. This is because trading is exclusively limited to themselves with no other competitors.

Reasons for Demutualization

The study said when talking about the reasons behind demutualization of securities exchanges, we need to make distinction between two groups of factors. The first group is about the general motives and causes like economic, social and technological conditions existing in the world at the beginning of the nineties of the last century which preceded that

The Phenomenon of Securities Exchanges Demutualization

This phenomenon started in 1993 when the Stockholm Stock Exchange in Sweden demutualized to a public joint stock company (investor-owned profit corporation) by floating its shares in an initial public offering (IPO).

This was followed by similar action by other bourses in Helsinki in 1995, Copenhagen in 1996, Amsterdam in 1997, Australia in 1998, followed by Toronto,



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in 2000. The phenomenon continued to spread worldwide to reach a total of 51 stock exchanges in 51 countries by the end of 2008 (See Jain and Jain – P.3, 2010)

Some stock exchanges did not stop at the demutualization level but went further to list their stocks on the market. The first stock exchange to take that step was the Australia Stock Exchange in 1998 (Aggarwal: 2002 – P. 105), followed by many other bourses worldwide in 2000 (Hong Kong, Singapore, Hellenic exchanges). Bourses of London, Germany and Oslo followed in 2001.

It's worth noting here that demutualization of securities exchanges has various paces, dimensions and models but there are three general methods of demutualization of an organization as outlined below (Elliot - 2002: P.5)

- Sponsored demutualization: The mutual is fully demutualized and its policyholders or members are compensated. The difference is that the mutuality is essentially bought by a stock corporation. Instead of receiving stock in the formerly mutual company, stock in the new parent company is granted instead.

- Mutual holding company (MHC): is a hybrid concept, part stock company and part mutual company. Technically, the members still own over 50% of the company as a whole. Because of this, they are generally not significantly compensated for what would otherwise be viewed as loss of property.

- Full demutualization: The mutual completely converts to a stock company, and passes on its own (newly issued) stock, cash, and/or policy credits to the members or policyholders. No attempt is made to preserve mutuality in any form.

phenomenon, while the second group of factors are the conflict of interest among members of the bourses, on the one hand and beneficiaries of the services of the bourses, as individuals and groups, on the other hand.

In the case of the first group, Aggarwal (2002, P.107 – 109) has summarized it in two factors – Global Competition and Technology, but detailed clarifications

point to many other reasons within the two latter factors, as follows:

1. Globalization – which enabled those transacting business on securities exchanges to invest in other bourses abroad. It also gave birth to global financial centers therefore putting competitiveness pressure on members of the local bourses.

2. Legal Environment – For example, in

the United States the laws have changed to permit the setting up of Alternative Trading Systems (ATSS) for local bourses thus bringing competitiveness pressure on members of monopolized bourses.

3. Cross-border Alliances, Mergers and Acquisitions – like the merger of many local European markets under one umbrella to become Euronext and the merger between American stock exchanges - Amex and NASDAQ.

4. Technological Advances – which transformed the exchanges from floor trade to electronic trade, allowing remote trading via the internet and cross listing. This gave birth to alternative trading systems that are widely referred to as Electronic Communications Networks.

5. Resources for Capital Investment – the pressure brought by competitiveness, technological advancement and expansion of the base of services being offered by the exchanges compelled the need for huge liquidity, which the mutual exchanges cannot provide, contrary to the modern exchanges which, like the public joint stock companies, can provide huge liquidity by floating shares and bonds on the market or lending from banks.

The study says all the above helped weaken the monopoly of members of the bourses in the mutual system and created threatening atmosphere in the form of internal and external competitiveness. They also helped create opportunities for growth through geographic expansion and expansion in the products and services of the bourses. The biggest pressure came from competitions in liquidity, price discovery in a transparent and fair manner for clients doing business on the markets against the monopoly of the members of the mutual bourses, who make huge profit in a non-competitive manner.

In the case of the second group of factors, the study continues, many writers have attributed the transformation of the bourses from the mutual to the modern form to a number of reasons, all of which seek to rob members of the bourses of the privileges they enjoy at the expense of stock market clients and the society. Notable among these reasons are - Rationalized governance:

1. The Mutual Form: It is appropriate if

the bourse offers trading services in light of weak competition and equal interest among members of the bourse. The system will not work well when there is stiff competition and differences in interest, as it will rather lead to problems and slow and poor decisions making the bourse incapable of responding quickly and accurately to changes and developments on the market.

2. The Corporate Form, on the other hand, which is based on joint stock company, enables the management to make sound decisions in the interest of shareholders and the bourse without necessarily the need for consensus as decisions are made by majority votes.

3. When distinction is made between bourse's ownership and trading monopoly with all its advantages it gives the bourse some independence from its members in terms of its functional supervision of those members.

4. Another advantage of clients of stock market in its modern form, compared to its mutual form, is that in the former bourses are compelled to disclose information as part of transparency and corporate governance requirements.

5. In light of the corporate form of exchanges the focus is on achieving

maximum profit for shareholders, while taking into serious consideration the interest of other stakeholders, especially, listed companies, institutional investors like investment funds and retail investors.

Supervision of Bourses

The study pointed out that the state conducts financial regulation of bourses and other financial institutions like banks, insurance companies, real estate and mortgage companies and other financial institutions for two main purposes – (1) To achieve financial stability at both the macro-prudential regulation and the micro-prudential regulation levels and (2) to prevent conflict of interest and protect clients through the conduct-of-business regulation.

The study said the question now is, is the state conducting financial supervision of bourses through the conventional institutional system (which separates regulatory bodies from financial institutions – banks, insurance companies, bourses, by means of conventional regulator for each of the two, with the central bank regulating the banks and the insurance companies and the securities market authority regulating the bourses) or through one of the modern



systems like the integrated model and the Twin-Peaks model? They are different applications but there is no perfect or ideal system. This is because a model can be good for a particular country in light on a particular situation.

The integrated approach places all financial institutions under a single financial regulator, which is responsible for all regulatory objectives (as in the United Kingdom), while the Twin-Peaks Approach has two separate regulators – One for ensuring financial safety, while the other aims at preventing conflict of interest by all financial institutions (as in the Netherlands)

Playing Supervisory Functions

Before converting to joint stock companies, bourses in capitalist countries used to be self-regulatory organizations (SROs) due to homogeneity of interest, and due to the fact that their interest in the sustainability of the bourses and the latter's huge activities make them committed to the self regulatory system besides the state regulatory system.

But after their conversion to joint stock companies the question of conflict of interest of stakeholders, including the shareholders and members of the bourse, the listed companies individual and corporate investors and the regulatory body, arises. The most significant areas of conflict of interest are as follows:

1. Conflict of interest in listing activity: The exchange's interest lies in having high listing standards to reflect positively on its reputation and revenue, but on the other hand these high standards may prevent many companies which do not make up the standards from listing on the market, thereby affecting negatively the bourse's revenue generated from the listing fees.

2. Conflict of interest in regulating market operations: as the market is responsible for disseminating information about the rules of its trading activities, supervising the implementation of those rules and applying appropriate penalties on violators like in the cases of insider trading and market manipulation. In view of the fact that most of the market revenue comes from its trading activities there will certainly be conflict of interest between its

Demutualization - DFM Experience

The demutualization phenomenon has extended to Arab markets although to a narrow extent through Dubai and Qatar exchanges. While Dubai Financial Market (DFM) was demutualized in November 2006, Doha Stock Exchange demutualized to Qatar Exchange in 2009 but is yet to float its shares for trading. Perhaps it's good to highlight briefly here the DFM experience.

The DFM was established in March 2000 by the Government of Dubai to operate as a secondary securities market. The fully automated market trade in various financial instruments, including stocks government bonds, Sukuk and mutual funds. In November 2006 the DFM demutualized to a joint stock company floating 20% of its shares in initial public offering while the remaining 80% was left in the hands of the Government of Dubai. The DFM company stocks were first listed and traded in March 2007.

This cannot be described as demutualization because the DFM was neither owned nor managed by brokers. It was fully owned by Government of Dubai and managed by a board whose members were directly appointed by the Government. Therefore, this researcher prefers to use the term "Corporatization" for such a conversion instead of "demutualization".

supervisory and business conduct roles, as the market's major aim is to make profit, especially in light of the tough competition raging among the markets internally and externally.

Conflict of Interest

The study states that there may also be conflict of interest in the markets where the major part of its trading lies in the hands of few members, as that may limit the market's resolve to implement trading rules and regulations, particularly in the case of penalizing of those members, because their withdrawal from the market would adversely affect trading activities thereby contradicting the market's profitability objective. Another conflict of interest regarding trading may crop up if Exchange Regulatory Staff at the market are not isolated from trading activities as they may lose credibility once they are connected with any market interest.

3. Conflict of interest in business continuity planning: particularly in extraordinary circumstances like the September 11, 2001 in the United States, when the question arises here on whether the market should be closed in view of the negative effect not only on shareholders of the market but also on the national economy, in general. This is because the market is seen as a public good which has a social value, therefore it should

not be treated in business like ordinary companies.

The study says there are various self regulatory models and applications worldwide for markets that have been converted to joint stock companies, but there is no perfect or ideal model. Aggarwal has mentioned three models as follows:

1. Where the converted market continued to practice self-regulatory roles on itself (as in Sweden).

2. Where the converted market set up a separate entity to handle the regulatory functions (like the NASDAQ of USA).

3. Where the market entrusted an independent with the regulatory role (Like the Futures markets in the US).

Therefore, the study says, every country thinking of converting its market to the joint stock company system should first study its own conditions and choose the appropriate model, while taking cue from others' experience and finding tangible answers to lingering questions, in addition to issues of conflict of interest discussed earlier in this document. Other issues that must be taken into serious consideration for lasting answers are: who selects the executives of the joint stock market? How to solve conflict of interest among the market management and owners, big and small owners and all other stakeholders? How to implement corporate governance rules on all, including the market as a joint

